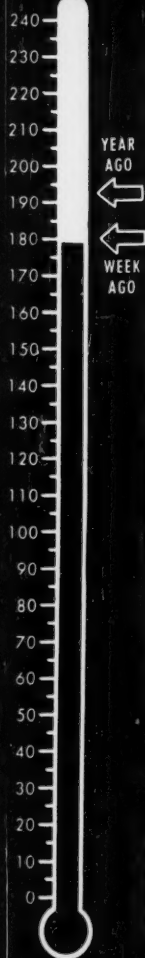


BUSINESS WEEK

JULY 9, 1949

A MCGRAW HILL PUBLICATION



Ernest E. Norris: "If it can't be done, the Southern can do it" (page 6)

BUSINESS
WEEK
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The Auto Market
SPECIAL REPORT—PAGE 54

TWENTY FIVE CENTS

MOLDED IN PLASTICS BY GENERAL ELECTRIC

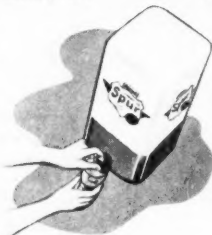
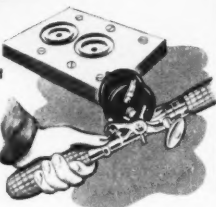


Paper cup dispenser, molded by General Electric for the Dixie Cup Company, Easton, Pa.



LOWER SELLING PRICE! The use of G-E plastics (instead of wood) for this television cabinet helps to make possible a low-priced set.

LARGE-VOLUME JOBS! G. E. is ideally equipped to mold large-quantity jobs—like parts for the Ocean City Manufacturing Co.'s surf casting reel.



PLASTICS FOR DISPLAY! The attractive housing of this Spur syrup dispenser was molded by G. E. for Canada Dry.



Plastics

How G-E Plastics Help to LOWER PRODUCT COSTS

Here's an excellent example of how General Electric's plastics molding service helped to achieve improved design and *low costs* on a large-volume job.

G. E.'s customer, the Dixie Cup Company, wanted an attractive cup holder—sanitary, durable, yet inexpensive enough to be sold for home as well as office use.

They got it! General Electric molded this cleverly-designed unit of crystal-clear polystyrene; no metal dispensing parts are needed. And low-cost production made possible a low retail price which is attracting thousands of customers.

For low cost and high quality depend on General Electric's plastics service! One of the world's largest plastics molders, G. E. is ideally equipped for large-volume production. **WRITE US FOR MORE INFORMATION** on how this service can work for you. Or contact your nearest G-E sales office. Address: **Plastics Division, Chemical Department, General Electric Company, 1 Plastics Avenue, Pittsfield, Mass.**

GENERAL  ELECTRIC

CD19-A11

General Electric plastics factories are located in Coshocton, Ohio; Decatur, Ill.; Taunton and Pittsfield, Mass.



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"Hail ye small, sweet courtesies of life,
for smooth do ye make the road of it."

Often we hear comments on the courtesy of telephone people and we are mighty glad to have them.

For our part, we would like to say a word about the courtesy of those who use the telephone.

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...sweeping NEW improvements in COAL FIRING

A triumph of B & W Research

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**...when he built-in this
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Want to build up the morale of your sales force? Then build a Veeder-Root Counter into your product. You'll give them something new to sell . . . an added usefulness to your customers . . . a distinctive feature that will set your product apart from your competitors.

Veeder-Root Counters are built, as integral parts, into all types of products from airplanes to machine tools to X-ray tubes . . . to supply facts-in-figures on use, production or performance . . . in any terms or units desired . . . mechanically or electrically. Let a Veeder-Root engineer explore the "uncounted opportunities" for new profit in your product. Write to

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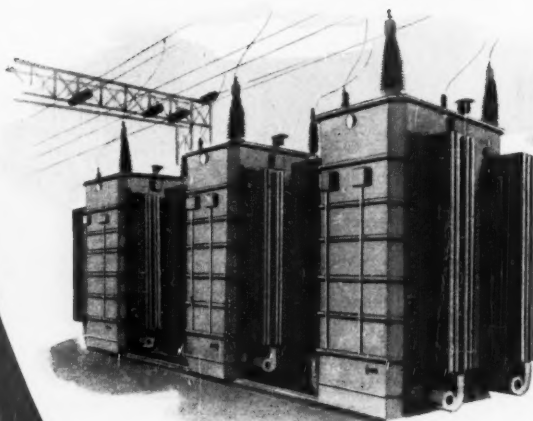
**NEW VEEDER-ROOT
1260 COUNTER**

Tops in accuracy and appearance is this compact, streamlined counter in rich 2-tone gray. It can be readily built into a wide range of products to operate as revolution or ratchet counter. . . 4½" long, 1 9/16" high, 1¼" wide. Counts to million, then resets by turning knob. Write for 8-page booklet on Standard V-R Counters.

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BUSINESS WEEK • July 9, 1949

Y.
W.
V.
I.
I.
A.



GRINDING WHEELS



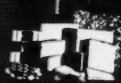
GRINDING MACHINES



REFRACTORIES



NORBIDE



NON-SLIP FLOORS



LABELING MACHINES



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AND CLOTH . . .
SHARPENING STONES

TEMPERATURES *TWICE* THE
MELTING POINT OF STEEL.



Industry Uses These Temperatures Today . . . with Norton-Developed Refractories

TEMPERATURES as high as 4300° F. for the sintering of carbides . . . up to 4700° F. in the manufacture of acetylene . . . even up to 5500° F. in certain research projects . . . that's the way industry is using heat today. And to handle this heat it is turning to Norton.

Long the acknowledged leader in the abrasive industry, Norton is also the pioneer in the development of refractories for handling today's super temperatures . . . pure oxide refractories of thoria, zirconia, beryllia, fused magnesia (MAGNORITE®) and fused alumina (ALUNDUM®).

Other types of Norton refractories are handling heat for many industries—chemical, metal, ceramic, power generating and gas generating.

*Trade-mark reg. U. S. Pat. Off.



The main Worcester plant of Norton Company—world's largest producer of abrasive products

NORTON COMPANY • WORCESTER 6, MASS.

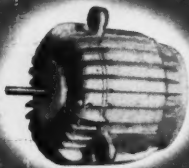
(Behr, Manning, Troy, N. Y. is a Norton Division)

**Smooth Operation for
America's *Finest* Products**

Lamb Electric MOTORS

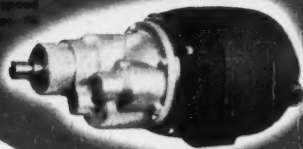


Small motor for use in
switches, fan motors, and
other household appliances.



An outstanding built-in
motor. Design features make
it an outstanding appliance.

Lightweight universal motor
with infinite speed range
suitable for many types of
portable equipment.



Lamb Electric Motors provide the quality of motor performance that helps a product become a leader in its field. This performance results largely from special engineering, which insures exact motor requirements for the application.

Furthermore, with Lamb Electric specially engineered motors, it is often possible to reduce product weight, provide compactness, and lower cost. The Lamb Electric Company, Kent, Ohio.

Lamb Electric
SPECIAL APPLICATION
FRACTIONAL HORSEPOWER **MOTORS**

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THE COVER

When a section gang on the Southern Railway sees a man with a thatch of silver hair and a long, fast stride loping toward them, they know who it is. Ernest E. Norris, president of the Southern, has the reputation of traveling farther and harder than any other top railroad executive in the country. He spends half his time swinging around the Southern's 8,000 miles of track, inspecting the road, hustling new business, and talking to his employees.

• **Character**—Norris is a salty character and knows it. His personal slogan is: "On the Southern, if it can't be done we can do it." He shakes hands with a dramatic full-arm swing. And when he is making a point, his voice pounds like the drivers of a locomotive.

No Hollywood casting director could pick a better man than Norris for the role of a southern aristocrat. His bristly white brows, bright blue eyes, and ruddy, strong-featured face could easily be the trademark for a good brand of bourbon. Few people remember that he was born in Illinois.

• **Key-Pounder**—Norris began his railroad career as a telegraph operator for the Chicago & North Western at the age of 17. He switched to the Southern in 1902 as a car-service agent at Washington. In 1919, he was farmed out to the Mobile & Ohio, a road controlled by the Southern, as vice-president. He came back to the Southern in 1933, and was elected president in 1937 when he was just short of 50.

A sentimental man, Norris will always stop in the midst of his inspections to pat a dog or make friends with children. At the stockholders' meeting last spring, he closed the proceedings by reciting "Abou Ben Adhem," coming down hard on the line. "Write me as one that loves his fellow-men," and winding up, "Ladies and gentlemen, God bless you!"

—Complete story on the Southern Railway's begins on page 66. Cover painting by Ralph Jilgan.



MAIL PAYS LESS FARE WHEN IT FLIES IN LIGHT-WEIGHT NYLON

When Uncle Sam pays the major airlines for transporting air mail, he has to pay for the weight of the bag as well as the contents. And it costs as much to ship a regular canvas mail bag as to ship about 50 letters. So the Post Office Department decided to conduct an experiment in the use of lighter weight mail bags.

Result: test bags made of Du Pont nylon fibers reduced the dead-weight 85%! On a flight from New York to San Francisco, this saves about \$1.95 on every bag of mail. You can get an idea of the possible total savings from the fact that the domestic airlines carry more than 30 million ton-miles of air mail a year.

Not only do these light but strong nylon bags save money on a ton-mile basis; in addition, their initial cost is less than that of mail bags previously

used in domestic flight service!

This is another example of how nylon is cutting costs in many industrial uses.

• • •

Get the facts about Du Pont nylon fibers. You may be interested in a product far removed from air-mail bags. But nylon's remarkable combination of strength and light weight may be just what you want for a product or process. Or you may be able to take advantage of other nylon properties: *flexibility—elasticity—low moisture absorption—resistance to deterioration by mildew, soil and marine rot, petroleum oils, alkalies.* And nylon is tough, durable.

You'll find helpful information on nylon fibers in the booklet, "Nylon Textile Fibers in Industry." It also describes a variety of industrial uses. In your own plant—in your own product—nylon

may help you speed up a manufacturing process, make your present product better, or help you design a new product.

Tell us about your specific fabric problems when you request the booklet. We may be able to help you. Address Room 6510-M, Nylon Division, E. I. du Pont de Nemours & Co. (Inc.), Wilmington, Delaware.

DU PONT
NYLON FIBERS

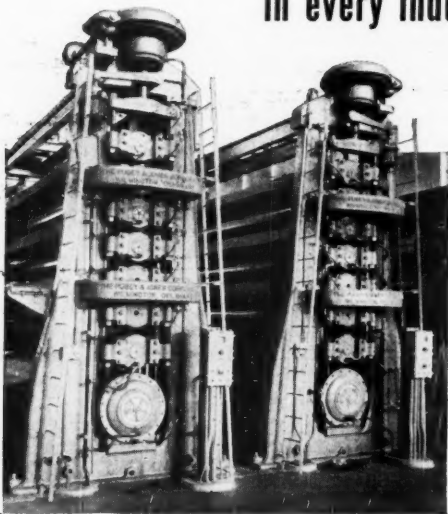
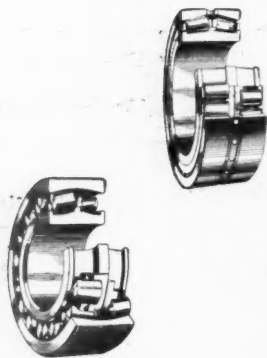


BETTER THINGS FOR BETTER LIVING
... THROUGH CHEMISTRY

For nylon... for rayon... for fibers to come... look to Du Pont

Torrington Bearings

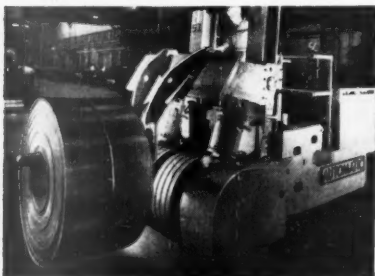
handle tough jobs
in every industry



Fusey & Jones Corp. makes sure its machine calender stacks operate reliably under tremendous loads by equipping top and intermediate rolls with Torrington Tapered Roller Bearings, and bottom roll with a Tapered and a Straight Roller Bearing.



Simplicity Engineering Co. builds gyrating screens to stand up under tough service. Reliable performance is assured by Torrington Spherical Roller Bearings.



Automatic Transportation Company specifies Torrington Ball Thrust Bearings to handle the loads in the trailing wheel mountings of its 60,000 pound capacity Skylift Giants.

Take the jobs pictured here, or in any industry. Torrington Bearings help machines work better, longer, under all operating conditions.

Torrington Bearings are made of the finest bearing steels . . . processed with precision by skilled craftsmen . . . backed by the "know-how" of engineers who have for years designed and applied every major type of anti-friction bearing. This diversified experience assures the selection of the bearing best suited to your application.

To get longer service life and better performance with lower maintenance costs, use Torrington Bearings. Our engineers will give you a hand on your special requirements. Write us today.

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Torrington, Conn.

District Offices and Distributors in Principal Cities
of United States and Canada

TORRINGTON BEARINGS

Spherical Roller • Tapered Roller • Straight Roller • Needle • Ball • Needle Rollers

BUSINESS OUTLOOK

BUSINESS WEEK

JULY 9, 1949



Unemployment won't go so high this summer as seemed likely a few weeks ago. There are two main reasons:

- (1) Agriculture is providing more jobs than it did last year.
- (2) Marginal workers, who take summer work only if soft jobs are easy to get, aren't looking. Hence, they are not counted in the labor force and if they aren't counted in the labor force, they can't be unemployed.

•
Employment on farms rose 1,150,000 from April to May. Another 700,000 hands were added from May to June. Thus, total farm employment—just under 9,700,000—is about 300,000 above last year's peak.

Why this should be—with crops no larger and machinery more plentiful—is one of the little mysteries of the employment figures.

•
Jobless figures for July probably will be around 4,300,000. That would be up about half a million from June's estimate of 3,778,000.

Total employment, meanwhile, will do well to hit 60-million.

Last year, in July, employment topped 61.6-million; unemployment was less than 2¼-million.

But last year the labor force swelled by more than 4-million between March and July. This year, it apparently is growing by only 3-million.

•
There were about 6-million "occasional workers" last year, as easy as jobs were to get.

This is what the Bureau of the Census finds: Fully 5.8-million people, who worked for pay sometimes during 1948, were not in the labor force during December. Most of these were in school or keeping house.

With jobs a little harder to get now than last year, it is only reasonable to suppose a larger percentage is neither working nor looking for work.

•
One healthy feature of the June employment figures: The number of nonfarm jobs showed the first gain of any size since February.

Total nonagricultural employment in June was 49,924,000. That's up 200,000 over May, but it still is nearly 2-million below a year ago.

Peak for nonfarm employment last year was 52.8-million. Present trends indicate that we'll get only a little over 50-million this year.

•
How high does unemployment have to go to be really dangerous?

Nobody has a proved answer to that. For one thing, it is hard to use national averages. A one-industry city, whose sole business is closed down, is in trouble no matter how favorable the over-all figures look. Or textile workers may be hungry while auto workers still are riding high.

Yet economists—and politicians—read mainly the national totals.

June unemployment was about 6% of the civilian labor force. Even if the jobless number 4.3-million in July, that is less than 7%.

Some analysts feel 7% is close to the critical level. But that isn't so true now. Many of today's jobless are seasonal, not year-round, workers; they aren't family breadwinners.

•
Washington thinking on when it would be time to "do something" about

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

JULY 9, 1949

unemployment has ranged vaguely between 4-million and 6-million jobless.

The danger is that the politicians will get frightened at the wrong time. In short, this summer is too soon to do anything about unemployment—even though the total undoubtedly now is something over 4-million.

Next winter, unemployment between 4-million and 5-million at least would call for serious thought. Then it would represent heads of families out of work—not just kids looking for a little summer income.

Manufacturers continue to draw down their inventories at a quickening rate. (That's one of the things that is causing unemployment; it means fewer new orders all along the supply chain.)

Soft-goods people started the inventory reduction at the turn of the year. By now, they have lopped nearly a billion dollars off the value of their stocks; the total now is \$16-billion.

Heavy industries, on the other hand, didn't start cutting until April.

But once they started, they cut fast—half a billion dollars in May alone.

Users of nonferrous metals probably haven't used up all their excess inventory. Nevertheless, they increased purchases this week.

Result was a markup of 1¢ a lb. on copper Wednesday morning.

Two things changed consuming industries' buying ideas: (1) There is talk of the government taking about 10,000 tons a month for stockpile, and (2) a refinery strike at Carteret, N. J., reduces supplies in the neighborhood of 10,000 tons a month (with no settlement in sight).

Lead markets actually are in a firmer position than copper. Many in the metal trade had expected lead would be the first to reverse the long downtrend in the nonferrous field.

So, even though copper was advanced first, don't count lead out.

Uncle Sam will be an interested observer of paint inventories—simply because he has a lot of linseed oil he'd like to sell the industry.

The government has about 20-million bu. of flaxseed and 350-million lb. of linseed oil acquired through price-support operations.

The flaxseed stands the government \$6 a bu. This is for sale now at \$5.25—but the October future in Minneapolis is bringing only \$3.70.

Thus, Washington is expected to keep shading its price until it comes into line with new-crop quotations and attracts buyers.

Next, the government has to support the new 1949 crop at \$3.99.

Next week's official crop report will be watched for (1) the damage wheat has suffered, and (2) first indication of the corn crop's size.

Rust and mosaic have hurt winter wheat. The first private report this week indicated a loss of 150-million bu. from the June 1 estimate. This may cut the surplus enough to avert crop controls in 1950.

Drought on the eastern seaboard, which this week was 40-odd days old in severely hit localities, will ease Uncle Sam's price-support burden on the 1949 potato crop. Long Island, New Jersey, and southeastern Pennsylvania particularly are affected. Good rains still can bring Maine through.

THE GREAT VALLEY SECTION OF THE *Land of Plenty*



Where Industry and Agriculture Can Unite to Spell Opportunity!

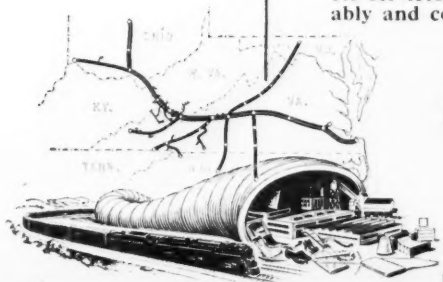
A scenic and historic wonderland . . . a rich agricultural area . . . a variety of minerals . . . forests of pines and upland hardwoods . . . many rivers . . . valleys and hillsides of blue grass. Limestone, dolomite, sandstone, quartzite, shale, clay, iron, manganese, lead and zinc ores, gypsum, salt and pyrrhotite are commercially available minerals. This is the Great Valley section of the Land of Plenty,* where industries of almost every type have found the right plant location.

Here in the Great Valley, successful industries enjoy the advantages of adaptable, home-rooted manpower, adequate industrial water and electric power, clean, progressive communities and favorable tax structures, nearness to the finest Bituminous Coal, a good climate, dependable Norfolk and Western transportation, direct connections with the great Port of Norfolk . . . and room to grow.

If you are looking for a new plant site, you can find the one to fit your needs in the Great Valley section. Write today to the Industrial and Agricultural Department, Drawer B-210, Norfolk and Western Railway, Roanoke, Virginia. This Department has almost 50 years of experience in successful plant location and will understand your manufacturing problems as they relate to location. It has complete information on the Great Valley. Its services are yours without obligation — promptly, dependably and confidentially.

Norfolk and Western RAILWAY

* The Land of Plenty—the six great states served by the Norfolk and Western—Virginia, West Virginia, Ohio, North Carolina, Maryland and Kentucky.

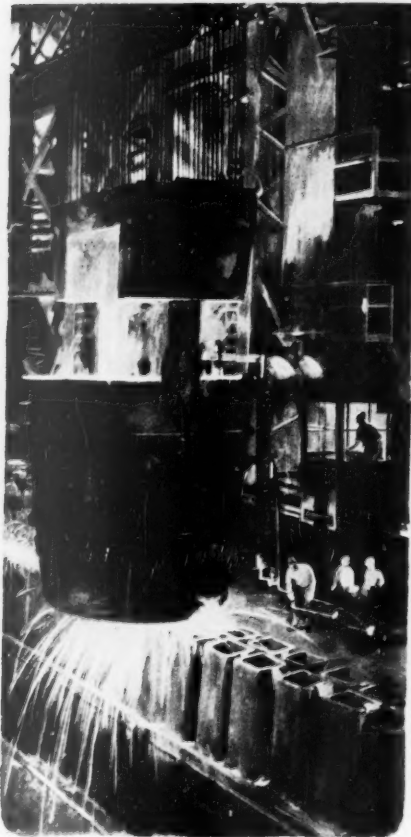


LAND OF PLENTY

Basic Industries' Basic Need

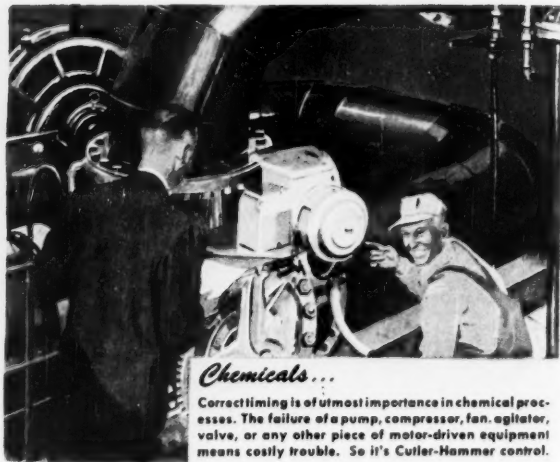
Steel...

"Steel must never stop" is the time-honored slogan of the men who make steel. As a consequence, the selection of motor control for steel-making is in the hands of the industry's most able engineers.



Textiles...

The more highly mechanized an industry, the more discriminating it is in selecting motor control. In the typical textile mill shown, dependable Cutler-Hammer Motor Control has "kept them spinning" for years.



Chemicals...

Correct timing is of utmost importance in chemical processes. The failure of a pump, compressor, fan, agitator, valve, or any other piece of motor-driven equipment means costly trouble. So it's Cutler-Hammer control.

The miracle of mass-production, the abundance of better things for better living within economic reach of the many rather than the few, is an achievement resulting largely from the elimination of waste; the waste of materials, the waste of toil, and the waste of time. And nowhere is the unending battle against waste more important than in the basic industries . . . from which the materials flow that give substance to almost everything you wear, eat, or use.

Here giant mechanisms accomplish in minutes what men could never do in hours, if at all. Here electric motors dispense with chores at a pace no man could equal. Here

Cutler-Hammer general purpose motor control is recommended by a majority of all electric motor manufacturers, is featured as standard equipment by machinery builders, is carried in stock by recognized electrical wholesalers everywhere.

CUTLER-HAMMER

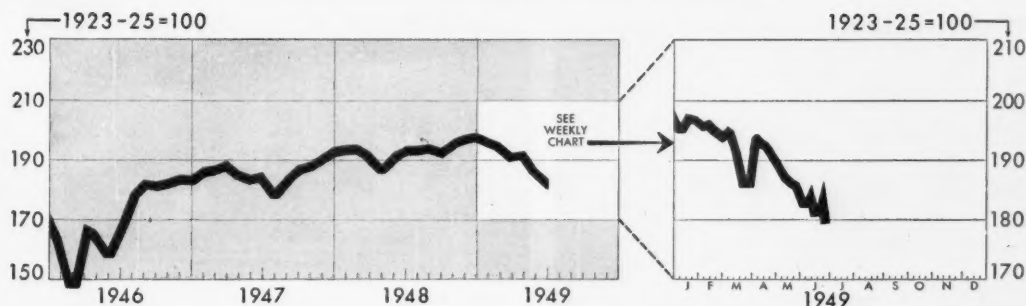
MOTOR CONTROL



drudgery has been banished to make each man and each minute more productive. But it has also made each more *valuable* than ever before. Interruptions are intolerable.

The basic need in manufacturing today is *dependable* machine performance. And that is why Cutler-Hammer Motor Control is the first choice of experienced engineers everywhere. It is the vital link between men and machines with more than 50 years of performance-proven *dependability*. CUTLER-HAMMER, Inc., 1275 St. Paul Avenue, Milwaukee 1, Wisconsin. Associate: Canadian Cutler-Hammer, Ltd., Toronto.

FIGURES OF THE WEEK



Business Week Index (above) *179.7 †186.2 183.3 192.5 162.2

PRODUCTION

Steel ingot operations (% of capacity).....	61.2	79.9	89.1	90.3	97.3
Production of automobiles and trucks.....	146,188	†153,001	98,097	112,307	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$29,802	\$32,211	\$30,464	\$26,816	\$19,433
Electric power output (million kilowatt-hours).....	5,410	5,466	5,018	5,166	3,130
Crude oil (daily average, 1,000 bbls.).....	N. A.	4,889	4,889	5,484	3,842
Bituminous coal (daily average, 1,000 tons).....	1,963	†369	1,881	2,126	1,685

TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	71	71	72	82	86
All other carloadings (daily average, 1,000 cars).....	63	38	59	66	52
Money in circulation (millions).....	\$27,426	\$27,345	\$27,515	\$27,900	\$9,613
Department store sales (change from same week of preceding year).....	-6%	-8%	-7%	+7%	+17%
Business failures (Dun & Bradstreet, number).....	177	196	165	103	228

PRICES (Average for the week)

Cost of Living (U. S. Bureau of Labor Statistics, 1935-39 = 100), May... 169.2	169.7	170.5	105.2
Spot commodity index (Moody's, Dec. 31, 1931 = 100).....	333.6	335.4	340.0	434.6	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)...	206.6	207.8	216.5	275.0	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)...	292.1	294.0	293.7	383.9	146.6
Finished steel composite (Iron Age, lb.).....	3.705¢	3.705¢	3.705¢	3.211¢	2.396¢
Scrap steel composite (Iron Age, ton).....	\$19.33	\$19.33	\$21.67	\$40.91	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	16.206¢	16.000¢	17.625¢	21.500¢	12.022¢
Wheat (Kansas City, bu.).....	\$1.91	\$1.98	\$1.99	\$2.24	\$0.99
Sugar (raw, delivered New York, lb.).....	5.85¢	5.87¢	5.85¢	5.60¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	32.62¢	†32.56¢	32.61¢	35.51¢	13.94¢
Wool tops (New York, lb.).....	\$1.585	\$1.586	\$1.552	\$1.963	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	16.38¢	†16.45¢	16.25¢	23.12¢	22.16¢

FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	113.7	111.9	110.8	133.4	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.48%	3.48%	3.46%	3.35%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.70%	2.71%	2.71%	2.80%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	14-1½%	14-1½%	14-1½%	1½%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	14-1½%	14-1½%	14-1½%	1½%	4-½%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	46,093	46,319	46,364	46,414	††27,777
Total loans and investments, reporting member banks.....	62,582	62,606	62,336	62,646	††32,309
Commercial and agricultural loans, reporting member banks.....	13,181	13,292	13,476	14,345	††6,963
Securities loans, reporting member banks.....	2,612	2,322	2,306	1,932	††1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks....	34,149	†34,515	34,035	34,666	††15,999
Other securities held, reporting member banks.....	4,550	4,529	4,490	4,240	††4,303
Excess reserves, all member banks.....	640	970	800	742	5,290
Total federal reserve credit outstanding.....	19,875	20,113	20,145	21,900	2,265

* Preliminary, week ended July 2nd.

†† Estimate (BW—Jul. 12/47, p16)

N. A. Not available at press time.

‡ Date for "Latest Week" on each series on request.

* Revised.

WHERE DEPENDABILITY IS VITAL ...YOU'LL FIND EXIDE BATTERIES

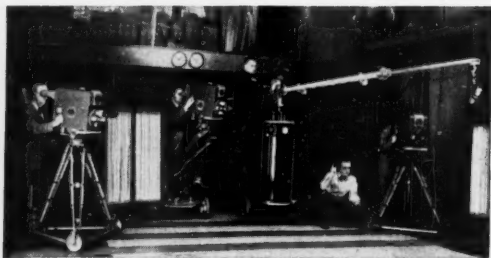


LIGHTNING ASSUMES FANTASTIC FORMS....does unpredictable things. When it short-circuits a power line, a circuit breaker is tripped open... but is instantly closed by storage batteries. Instead of your lights going out, all you see is a flicker. Many Exide Batteries are used by public utilities for this service.

All around you, Exide Batteries are serving you in numerous ways. For there are Exides for every storage battery need.

Exide Batteries provide motive power for battery industrial trucks, which help cut handling costs and speed the flow of goods to you. In

railway service Exide Batteries are also used for car lighting, Diesel locomotive cranking and signal systems. They provide battery power for ocean vessels, airplanes, municipal fire alarm systems, emergency lighting. And on millions of cars, trucks and buses, they daily prove that "When it's an Exide, you start."



BEHIND THE SCENES IN TELEVISION. Important to its transmission is the telephone industry's amazing coaxial cable, which can carry television programs or hundreds of conversations at the same time. Storage batteries are essential equipment in television broadcasting. Many are Exides.



THROUGH CAR TO VACATION LAND. Hot city streets seem miles away the instant you enter a comfortable, air-conditioned passenger car. On many famous trains, electrical power for air-conditioning is supplied by Exide Batteries.



FAR BELOW THE EARTH'S SURFACE coal mining has been revolutionized by modern mechanization. Much of the haulage equipment is powered by safe, dependable Exide Batteries.

Information regarding the application of storage batteries for any business or industrial need is available upon request.

THE ELECTRIC STORAGE BATTERY CO.
Philadelphia 32
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1888...DEPENDABLE BATTERIES FOR 61 YEARS...1949

WASHINGTON OUTLOOK



TRUMAN FINALLY ABANDONS inflation in his midyear economic report.

True, he isn't buying a depression; politically, the President must be an optimist.

But he is directing the government's efforts to the problem of offsetting the slide in business.

You won't find the turnabout spelled out in so many words in either Truman's message or the Council of Economic Advisers' report.

For example, you will find large chunks of his January New Deal program still offered. They still fit in an antideflation program.

But you will notice there's no longer talk of inflation controls. And the table-thumping for \$4-billion in more taxes has stopped.

It's not the words that Truman uses that are really important, however. What counts is what Washington—the Administration and Congress alike—will do from here on out.

Excise tax cuts are the first thing you are likely to get out of this antideflation mood. Their charm is that they are a price cut to attract buyers.

The Senate Finance Committee already has approved taking off the wartime excises; these are currently bringing in about \$1.5-billion a year.

With Chairman George and top G.O.P. taxman Millikin opposed, however, this measure may not get by this session. But some kind of excise tax cut next year is certain if business then needs a shot in the arm.

More public works is the kind of deflation remedy being talked by Republicans such as Sen. Brewster (BW-Jun.25'49,p15) as well as New Dealers like Sen. Murray and Sen. Kilgore.

Murray has a bill proposing a multi-pronged attack to head off recession. He has timed its introduction to follow Truman's midyear report.

This new bill is a rewrite of the one you have been hearing about for several weeks. It's now toned down from "let's-spend" to "let's-get-ready-to-spend"; the changes are designed to attract support from middle-of-the-roaders.

In cash, it provides nearly \$500-million with which to prepare blueprints for \$15-billion worth of state and local public construction.

Beyond blueprints, Murray's bill calls for such remedies as these:

... Non-interest-bearing loans up to \$1,000 per family to transport the unemployed to new jobs.

... Easy government credit for business expansion in basic industries. (There's no mention of the government-operation-as-a-last-resort feature of the inflation-era Spence bill).

... 60-month amortization of government-approved investment in new equipment.

... A National Economic Cooperation Board made up of industry, labor, farm, consumer, and government people to plot "healthy wage-profit-price relationships" on a voluntary basis.

This bill, of course, hasn't a chance this year. But if business keeps on getting worse, you can expect to see ideas such as these coming into action later on.

MON WALLGREN may yet become chairman of the National Security Resources Board. Since a Senate committee pigeon-holed Wallgren, Truman has had no luck finding someone who will take the job. Now it's reported Truman plans to give Wallgren a recess appointment when Congress goes home.

COLUMNIST ROBERT A. TAFT is writing a weekly 750-word "Washington Report" for the papers in behalf of the candidacy of Sen. Robert A. Taft for reelection next year.

It's free—in manuscript, mat, or metal plate sized to specified newspaper-column width. It comes complete with a half-column inset picture of the author.

Taft's column is now three weeks old. Ohio's 169 newspapers have received it from the start; other editors are asked to write in for it.

The column is a new wrinkle in Taft's program to get his ideas across to the voters in advance of the '50 campaign (he knows this is his toughest). He has been recording radio talks, too; the transcripts go free to 39 Ohio stations.

Taft plans to follow up these messages to the folks back home with an extensive in-person speaking tour of the state just as soon as Congress quits.

YOU CAN EXPECT CONGRESS to keep going at least another five weeks—more likely through most of August.

It's not only Truman's reorganization plans (BW—Jun.25'49,p16) that will keep congressmen

WASHINGTON OUTLOOK (Continued)

here. It's the work-schedule that leaders have laid out to be done before quitting.

The Senate is debating the Atlantic Pact this week and next. After that, it takes up reciprocal-trade extension. There are still several of the major money bills to clear; also action on the "economy resolution."

The House schedule includes the Senate-approved military-reorganization bill and aid to education. Both houses have yet to act on minimum-wage and farm legislation of some sort—both musts on the legislative list.

But, barring any real economic emergency, when congressmen go home late in August they can count on staying there until January.

ECA IS MECHANIZING its bimonthly lists showing who is getting Marshall Plan business (BW—Jun. 4 '49, p. 15). The purposes: to get the data out more promptly, make them more useful.

The Census Bureau will do the tabulating for Paul Hoffman. Using punch-card machines, it will run the lists off in such a way as to show: (1) the present alphabetical record of concerns making ECA sales, and (2) sales by product breakdown.

That would mean, for instance, that a wire-robe producer could quickly learn who in Europe is buying his product—and from which competitor.

ELECTRIC UTILITIES are trying again to get the courts to say that the government can't build power lines to compete for their customers.

The issue is raised by Public Service Co. of Colorado in a Reclamation Bureau suit over water rights for the Colorado-Big Thompson power and irrigation project. Public Service bases its case on the "due process" clause of the Constitution.

Reclamation is suing 1,000 Coloradans—including Public Service—to divest them of their water rights. It claims this is necessary to develop the project as Congress directed. Public Service's reply: Congress also specified construction of only 192 miles of federal transmission lines to carry Big Thompson power, but Reclamation has since built more than this.

Public Service contends—and here is the basis for the "due process" plea—that these extra lines are taking away its business.

Other private utilities with federal power developments in their backyards are supporting Public Service; the case is headed for the Supreme Court.

The dispute is reminiscent of the TVA fight spearheaded by Wendell Willkie in the '30's. The

utilities lost that case because the government was buying them out. The Supreme Court ruled that purchase met the test of "due process."

A PLAN FOR MORE SOCIAL SECURITY is about to be unveiled by the House Ways & Means Committee. It would mean a greatly expanded—and more expensive—system.

This is the first major attempt at overhaul of the old-age pension setup since its beginning in the mid-1930's as a New Deal cornerstone. It would:

Expand the old-age-insurance system to cover about 12,000,000 new people—the self-employed and home servants, but not farm workers.

Boost benefits from an average of about \$25 a month to \$40 or more, to catch them up with the increased cost of living.

Add disability insurance to enable workers totally disabled on the job to draw their pensions as if they had reached retirement age.

Finance the increased costs—now and future—by tripling present payroll taxes over the next 15 years.

The old-age payroll tax now is scheduled to increase to 1½% each on employer and employee next January; the committee would let this increase occur, and would provide further increases to 2% in January, 1952, to 2½% in 1960, and to 3% in 1965.

One uncertainty: whether to continue the tax on the first \$3,000 of an employee's annual income, or apply it up to perhaps \$4,200. It won't go so high as the \$4,800 proposed by Truman.

The committee's plan for revising Social Security results from weeks of closed-door meetings.

There's no chance that legislation to effect the changes will be acted on this year—though it might slip through the House. But it's certain to become one of next year's big issues.

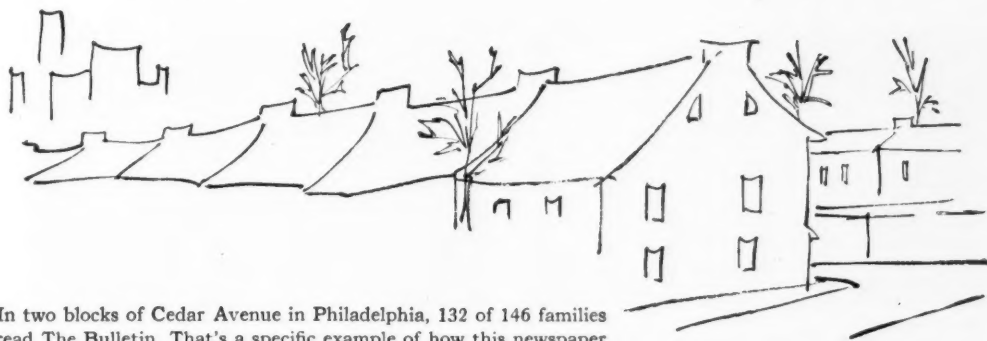
THE FEDERAL DEFICIT for fiscal 1949—in case you missed it over the holiday week end—was \$1,811,440,047.68.

During the year, the government paid out just over \$40-billion, an increase of more than \$6-billion from fiscal '48. Tax collections were \$38.2-billion, down \$4-billion from the previous year.

For the fiscal year just starting, spending will be higher, income lower, deficit greater.



How to go home in Philadelphia

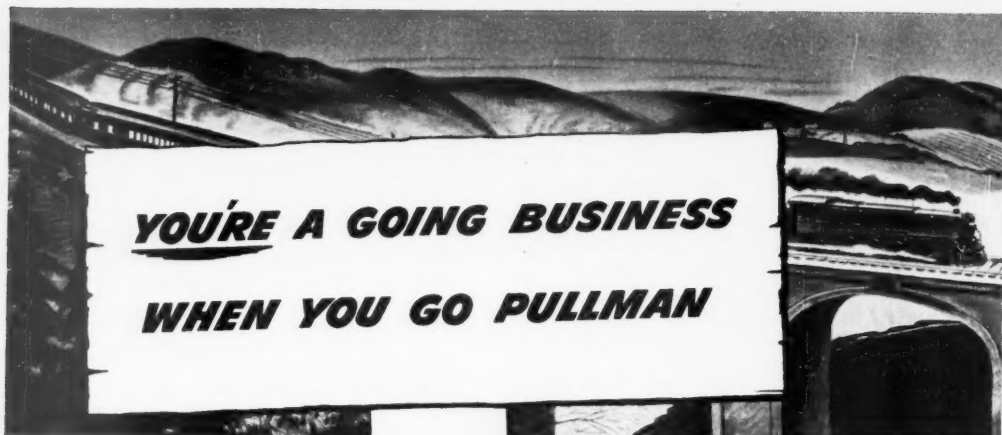


In two blocks of Cedar Avenue in Philadelphia, 132 of 146 families read The Bulletin. That's a specific example of how this newspaper stands in one neighborhood of homes. In the whole city of homes, the picture is the same: more than four out of five families are readers of The Bulletin.

Please keep in mind we're talking about the nation's third largest market. *And that the way to go home in this market is with your advertising in The Bulletin.*

This great newspaper reaches Philadelphians *when they're at home* and making up their minds about their buying. It *goes home, stays home, is read* by the entire family—evenings and Sundays.

**In Philadelphia
nearly everybody reads
The Bulletin**



***YOU'RE A GOING BUSINESS
WHEN YOU GO PULLMAN***



1. You button up your problems as the train gets you there. For, to work on the way, to turn your accommodations into an office on wheels, it takes just four words: "Porter, a table, please!"



2. You meet old friends and make new ones in the special lounge car reserved for you and other Pullman passengers. Friendly gatherings make time pass as quickly as the miles.



3. You sleep deep and undisturbed in that big Pullman bed, perfect end to a perfect day. Its crisp linens, its soft mattress, its roominess—these are worth their weight in dreams to you.



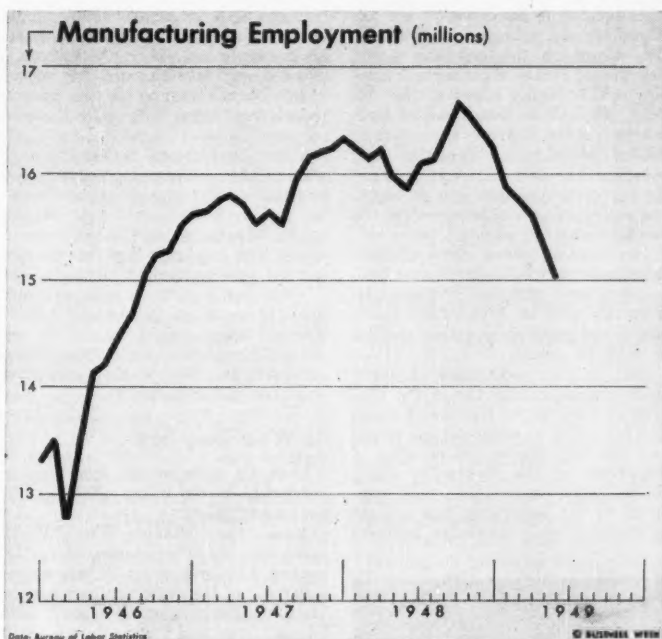
4. You arrive right in the heart of town, convenient to everything. You're relaxed and ready to do business. Fact is—you're a going business. You've gone Pullman!

IT'S GOOD BUSINESS TO

Go Pullman

Visit the Chicago Railroad Fair in '49—June 25th through October 2nd. Don't miss the Pullman Exhibit!

THE SAFEST, MOST COMFORTABLE WAY TO GET THERE!



FACTORY EMPLOYMENT is declining for the first time since 1946—one reason . . .

Unions Face Hard Facts

Most labor negotiators are willing to take account of some recession in 4th-round dickering, survey finds—but they want facts before they agree to follow a lenient policy.

Suppose an employer simply can't afford a wage increase this year—and can prove it. Does he face a strike when his union asks for higher pay?

Probably not.

That's the conclusion of a BUSINESS WEEK survey of union attitudes in 16 industrial cities and Washington.

• **New Situation**—For several years now, yearly wage negotiations between unions and management have been conducted against a background of full employment, rising prices, rising profits, long order backlogs. It was rarely a question whether pay increases would be granted; the question was how much.

This year, many a union is faced with a hard fact: The employer it deals with is in a business position such that

an increase in labor costs would mean fewer orders, less employment, losses, maybe financial disaster. How will unions react in such a situation? Will they peacefully accept the economic facts of life—or will they strike before acknowledging the inevitable?

• **Dress Rehearsal**—To find an answer to that question BUSINESS WEEK has conducted a novel survey—in effect a dress rehearsal of this year's collective bargaining in major industries. Reporters talked to policy-making union officials, assumed the role of business negotiators, asked the labor leaders to bargain with them as they would with an actual employer.

Instructions to BUSINESS WEEK correspondents were: "Go to the important union officials in your area.

Don't interview. Ask the labor man to talk with you as if you were a business executive. You speak for a hypothetical company whose contract with his union is about to expire. Your situation is such that you simply cannot increase wages. Argue that problem out with him on an off-the-record basis. Give us a full summary of what he has to say."

On the whole, results of this survey are encouraging for a generally peaceful settlement of 1949 contracts.

• **Steel and Auto**—It must be noted, however, that two important industries are not covered. Top-line officials in the steel and auto unions would not cooperate. They are presently engaged in negotiations with companies that they expect will set a wage pattern over much of their jurisdiction (U. S. Steel and Ford). They insisted that they could not deal with BUSINESS WEEK's questions apart from these situations; and that applied to these two employers, the "inability to pay" hypothesis was too far-fetched.

I. Most Won't Strike

The key finding of the survey is that many unions will not risk their position in the sort of strike which, in order to be successful, has to change the determinant economic circumstances rather than just the employer's mind.

However, the unions have to be shown that this is the sort of strike they face. Union negotiators want proof of company hardship—graphic enough proof to take back and convince the rank-and-file. Moreover, a company's past record of making wage increases freely in prosperous times will weigh heavily in getting union consideration for a plea of hardship now.

Some union leaders will ask employers to let arbitrators decide whether they can or can't afford a wage increase. Among those who will press this point are some frank to acknowledge that they dare not face their members after voluntarily agreeing to a pay freeze. But they are willing to use an arbitrator as a scapegoat.

• **Substitute Concessions**—If wage increases are not possible, some unions want "non-economic" concessions, like more union security, as an indication of the employer's good faith. For example, once a company convinces its union it cannot increase labor costs, that union will start worrying about layoffs. It may ask a reduced work week

and a spread-the-work plan to maintain employment—in return for passing up a wage boost.

In many cases, when a union says it will bow to an economic dictate and not insist on a raise, it asks a review of the situation within 90 days or six months. A company's willingness to provide an opportunity for reopening wage talks if circumstances change may be important in a union's willingness to ride along peacefully with present wage rates.

II. The Stubborn Ones

That's the encouraging side of the story. The best thing about it is that union leaders who came up with such responses outnumber those whose answers could be paraphrased as "Damn the economic torpedoes, full speed ahead." But the reasons given by the latter group for their intransigent attitude are also significant. Business men should realize what kind of reasoning will underlie a stubborn union wage position.

• **Recession Cure?**—Prominent among the reasons union leaders consider strikes justified is the notion that the best cure for a recession is increased purchasing power, which rests on higher wage rates. This is often coupled with the belief that, even if present profit

rates can't support wage boosts, industry has enough salted away in reserves to afford them.

• **Inefficiency?**—Some union officials argued that a wage freeze means employees are required to subsidize inefficiency. This involves the assumption that a company runs into hard times because it lies down on the job of pushing and selling its products.

A variant on this approach is the idea that it's only the marginal company which cannot afford a wage increase and will be forced out of business by a strike. There's a corollary to this in union logic: Employees who lose their jobs in a bankrupt company can expect to find new jobs at higher wages in the firm which takes over the defunct company's market.

The BUSINESS WEEK correspondents also encountered the assertion that business was never generous in sharing its prosperity with its workers and therefore is not justified in asking workers to share its poverty.

And in the background of many union officials' minds—and in the forefront of some—is the fear that if members are asked to stand pat on wages, they will vote leaders out of office.

• **A Look at the Books**—In asking union leaders to confine their arguments to the hypothesis that a wage increase was simply impossible, BUSINESS

WEEK correspondents couldn't avoid the question of proof. Some of them pretended to bring out the company's books. In a number of cases, the union men professed a great interest in going over the firm's accounts. Just as many of them, however, refused to look at the books.

"Let's agree on an accountant," one union man said. "You can send your books over to him. If he says you can't afford it, we'll take his word. My organization doesn't want to see your private records any more than we'd let you see ours."

"Your books mean nothing to us," another labor leader trumpeted. "Everybody knows that corporation bookkeeping is as crooked as a corkscrew. If you can fool the tax people like you've been doing, you can sure fool us simple-minded working men."

"We don't want to discuss your books when we ask for a raise," a New England union official stated. "If we did, we'd be inviting you to bring them out when you thought they showed a wage cut was indicated."

III. What They Say

Here are some of the more cogent comments by the union officials BUSINESS WEEK talked to:

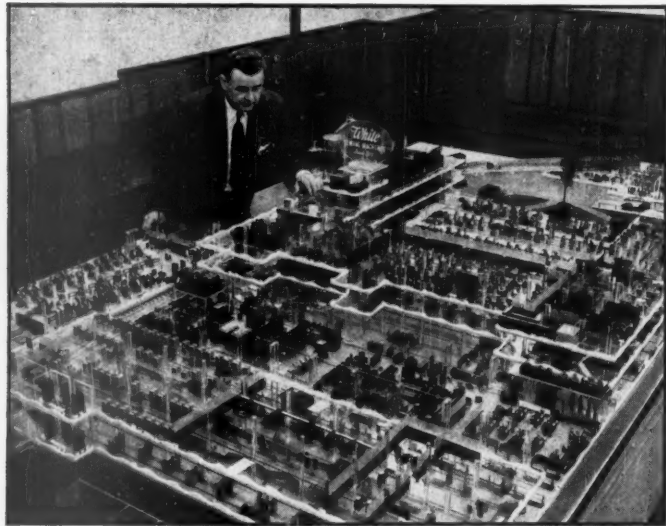
From the Middle West—"We'll make a survey of companies similar to yours and compare wages. If your wages aren't out of line now, you may have a pretty good argument. We won't bite off your nose and spite our face. But maybe we can spot some short cuts, some ways that you can save money. Maybe we can show you how you can make more and pay a little more."

A big industrial union—"Don't give us any of this stuff about how much profits are down from last year. What percentage are you earning on your net worth? If you're making more than 10% on that basis, you can afford a raise. Let's see the figures."

A union in a hard-hit industry—"Look, every company we have contracts with tells us the same story. You help us get them all in here together, and we'll negotiate a single master contract which won't penalize any single firm nor give any one an advantage."

A manufacturing union—"You've always been tough. Even when you knew your people were entitled to a raise and you could afford it, you fought us to the bitter end. Why should we go easy on you now? But, O.K., we're going to show you that we don't regard this relationship of ours as a one-way street. We'll renew our present contract for 90 days and then look at the situation again. I hope you learn a little something from what we're willing to do."

A Cleveland union—"I am beginning



See-Thru Floor Plan Aids Plant Move

This plastic model is the key to a mammoth moving operation at White Sewing Machine Co. in Cleveland. This month White starts moving its 1,400-man metal division across the city to a new plant acquired from Jack & Heintz Precision Industries, Inc. The

transparent scale model of the new plant shows exactly where each of about 1,000 heavy machines should be located. By careful timing, moving machinery at night, White expects to keep its metal division operating during the six-month migration.

to believe that the present slide in business is being engineered to coincide with wage negotiations."

Chicago—"You know the Communists have been raising a ruckus in our union ever since we lined up against them last year. If we went back to the members without a raise, they'd take us in the next election and it wouldn't even be close. It's up to you. Find something for us to talk about, or get ready to deal with a Communist-led union."

St. Louis—"Our members have got used to big increases every year. It's going to be tough. They'll ask us whether we're working for them or for the company. You've got to help us put this over."

An international officer in Washington—"Don't goad us too far. We may damn well strike; we're strong and our finances are in good shape."

The head of a big food union—"Give us the raise. The government won't let you go out of business, don't worry."

Milwaukee—"We can't afford a strike this year, and we know you know it. Next year it's going to be different. It will be up to you what happens then."

Buffalo—"We had a case recently where I considered the company's offer to end a strike a pretty reasonable offer. The rank-and-file turned it down, however, and there was nothing I could do to convince them. They held out another two weeks and got what they wanted. What does that prove? First, that workers are sometimes smarter than their leaders, and second that a company's 'final offer' can turn out to be pretty elastic."

The Middle South—"Nothing doing. If your company will do a real job of selling it will come out of the doldrums. There is plenty of money around and plenty of business for you to get."

An independent union—"You've treated us well in the past and we'll string along with you. But just don't forget we are willing to look at things from your point of view when you ask us to."

A basic industry union—"All right, then it's time for you to make sacrifices. Our country needs a fourth-round wage increase to keep things going. If we go into a tailspin you'll get hurt, too. You bet we'll strike before we agree to pass this round."

A union in the service trades—"You're a fake. If you really couldn't afford a wage increase you'd come in here and ask us to take a 15% wage cut. Many of our members are negroes. They don't get promoted; they're stuck in laborer jobs. We've got to push up their rates."

The West Coast—"You've been psychologized into a defeatist attitude. Stop listening to these experts telling you we're headed for a crash. You can make more and pay more."

Outlays for New Plant and Equipment

	1948				1949		
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter
Manufacturing.....	\$1,800	\$2,140	\$2,090	\$2,320	\$1,850	\$1,960	\$1,840
Mining.....	180	200	200	220	190	200	190
Railroads.....	270	310	320	410	360	410	310
Other transportation..	180	190	170	170	130	140	170
Utilities.....	500	640	690	850	680	810	830
Commercial & misc....	1,240	1,340	1,360	1,440	1,260	1,300	1,280
Total.....	\$4,170	\$4,820	\$4,830	\$5,410	\$4,460	\$4,820	\$4,630

Capital Spending Stays Large

Despite business uneasiness, companies plan to spend \$4.6-billion for plant and equipment in third quarter, off only 4% from second quarter and from a year ago.

Business expenditures on new plant and equipment are tapering off this year. But they are still big enough to put a substantial prop under national income and employment.

• **4% Decline**—Last week, the Dept. of Commerce and the Securities & Exchange Commission released their quarterly estimate of capital expenditures. Their figures show no sudden, sharp cut in purchases of new plant and equipment—such as many businessmen and economists had feared. The third-quarter total (\$4.6-billion) is down only 4%, both in comparison with the second quarter of this year and the third quarter of last year.

The Commerce-SEC estimates fit in neatly with the elaborate study of backlogs of demand for capital equipment published two weeks ago by S. Morris Livingston, one of the Commerce Dept.'s top economists (BW—Jul. 2'49, p24). Livingston found that most industries had pretty well caught up with the "deferred growth" that had accumulated during the war and the depression years. But he also estimated that there was a big enough backlog of "deferred replacement" to keep demand above the long-term normal line for several years more.

• **Replacements Planned**—Deferred replacement doesn't guarantee a high level of capital expenditures, of course. If businessmen are worried about the future, they may decide to wait indefinitely before junking their old machines. But the Commerce-SEC estimates don't indicate that business generally is holding back on modernization and replacement.

In fact, the latest figures paint a somewhat brighter picture than the previous estimates, made early last spring (BW—Apr. 9'49, p26). At that

time, the Commerce Dept. experts were looking for a drop in the second half year that would carry the totals 14% under the 1948 level.

• **Manufacturing Off**—The new estimates show a fairly sharp drop in manufacturing—from \$1.9-billion in the second quarter to \$1.8-billion in the third. They also indicate a drop of about \$100-million for railroads—roughly 25%.

Electric and gas utilities, on the other hand, will be about \$20-million above the second quarter of this year and \$140-million over the third quarter of 1948.

Expenditures by commercial and miscellaneous business show a small drop from the second quarter to the third, and a somewhat larger spill from 1948 levels. This is the catch-all classification, though, and the estimates are subject to fairly wide errors.

• **Late Information**—The Commerce-SEC figures are based on: (1) reports filed by larger corporations with the SEC, and (2) a sampling of smaller companies conducted by the Commerce Dept.

It's worth noting that the data used for the latest estimates were collected during the second quarter, mainly during May. By that time, just about every businessman knew that the post-war boom was faltering and that some sort of readjustment was under way. In spite of this uncertainty about the future, the companies covered by the survey were not slashing the plans they had laid earlier in the year. And some that had been on the fence in February had definitely decided to go ahead with purchases of new equipment.

If 1949 follows the pattern of previous years, there should be some tendency toward a seasonal upswing in capital spending in the final quarter.



ORE VESSEL. Wilfred Sykes, launched last week at Lorain, Ohio, will carry 20,000-ton cargo when it goes into service next season. It

will be the fastest (able to maintain 16 m.p.h.) as well as the largest Great Lakes bulk freighter. It is named in honor of . . .

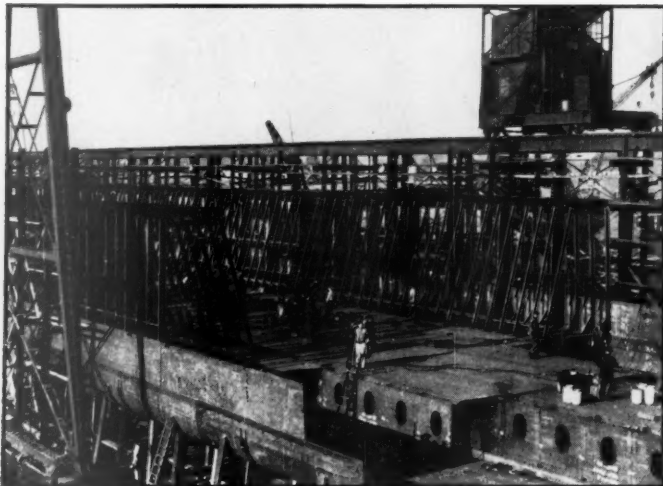
Largest Freighter on the Great Lakes

A vessel so big it dwarfed its own splash slid into a narrow slip along the Black River at Lorain, Ohio, last week. It was such a tight fit that steel cables were used to check the ship from crashing against the opposite side of the slip.

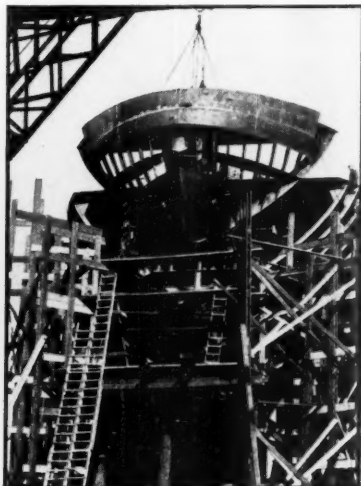
For the rest of this year, American Ship Building Co. will continue the job of construction. When Inland Steel Co., the owner, puts the freighter Wilfred Sykes into operation next season, it will shuttle between Duluth, Minn.,

and Chicago, carrying ore to Inland's mill.

• **Size and Speed**—Without straining, it will be able to carry 900,000 tons of ore a year. Fully loaded (20,000 tons), the Sykes will be able to maintain a



WHILE UNDER CONSTRUCTION at American Ship Building Co., this is how the Sykes' hull looked. Ship is built so that a bulldozer can run inside to help unload



ERECTING THE FANTAIL on "cruiser stern" of the Sykes. Section was prefabricated



PAST PRESIDENT Wilfred Sykes of Inland Steel Co., owner-operator of the 678-ft. ship

Is Launched

speed of 16 m.p.h. It will make the round trip in five days, including dock time, compared with six and a half days for the ordinary bulk freighter carrying half the Sykes' load.

The nearest approach to the Sykes are the 16 lake freighters built in 1942 by the Maritime Commission and now owned by private operators. They carry about 15,000 tons per trip and cost about \$150 a cargo ton (\$24-million each) to build. Rumored cost of the Sykes is well over \$225 a ton.

• **Conveniences**—Size and speed are the main features of the ship. It also has conveniences found on only a few Great Lakes vessels.

Two passageways below deck connect the fore and aft ends. Thus, officers and crew do not have to walk the long, exposed deck during rough, blustery weather.

The 27 crew members will bunk two to a room (with bath), and will have two recreational rooms. Each of the nine officers will have a private room and bath. The owners' quarters will have a lounge and double bedroom, plus four double bedrooms for guests.

To cut unloading time, bulkheads between the three cargo holds are built with openings that will let a bulldozer pass from one hold to another. It will speed the cleanup of ore in the ship.

Price Cuts Are Spreading

July brings substantial slashes in a variety of lines—paints, truck tires, foam mattresses, and menswear. Manufacturers' objective seems to be: Whack deep enough to keep goods moving.

In this summer's styles for women, the fashion is the "plunge neckline" (which dictates bare skin almost to the navel). For many industries, the fashion is the "plunge priceline."

A wide variety of industries has been whacking at prices—to whatever depth is necessary to keep the merchandise moving. Manufacturers seem to be more and more aware that prices have to be just as attractive as the products themselves. Already July has produced price-tag trimming in paint, truck tires, foam mattresses, and menswear—to say nothing of radios and television sets (page 31).

• **Paint**—Pittsburgh Plate Glass Co. was first to cut paint prices. It lowered its entire line of interior and exterior house paints, varnishes, enamels, and brushes an average of 9%.

Other paint makers followed quickly. A. W. Steudel, president of Sherwin-Williams Co., said that his company would trim prices on "trade sales products" (products sold through retail outlets) an average of 10%. Patterson-Sargent Co., whose paint products have been priced slightly under competing products of other companies, pared its prices an average of 5% to 7%.

At the same time, Glidden Co.'s president, Dwight Joyce, notified dealers that price cuts would come soon.

• **The "Why" on Paint**—Why cut prices? Most important is this reason, phrased by E. D. Peck, general paint manager for Pittsburgh Plate's merchandising division: "Slumping sales at the consumer level on a wide variety of products indicate that the purchasing public is stalling on its buying needs."

Paint makers hope the cuts will put consumers in a buying mood. Meantime, raw material costs (specifically linseed oil and the flax from which it is made) are tumbling, thus helping the paint makers in their drive to get retail prices down.

• **Tires**—The truck-tire price cuts were slightly overdue—as the trade looks at normalcy. Passenger- and truck-tire prices usually move up and down together. Last month, however, when Goodyear Tire & Rubber Co. put a 5% to 7½% price reduction into effect on passenger tires, truck tires were deliberately omitted. The rest of the industry followed Goodyear's strategy.

Last week, however, Goodyear decided that the prices of the heavier casings needed a rejiggering. The result was a price cut of 5% in truck and bus

tires, 7½% on heavy-duty tubes, 3% on second-line truck tires. Other tire makers quickly began to go along with Goodyear's action.

• **Mattresses**—Reductions in mattress prices came from Firestone Industrial Products Co. It cut prices on its Foamex mattresses (made of foam rubber) by \$10-\$20.

That brought down the price for the 4½-in.-thick mattress to \$79.50, the 3-in. to \$69.50.

• **Menswear**—In the menswear field the price-cut news centered around Cluett, Peabody & Co. and Goodall-Sanford, Inc. Cluett cut the price on some Arrow shirts and ties (BW-Jul. 2'49,p28); Goodall's reductions involved Palm Beach suits, slacks, and dinner jackets.

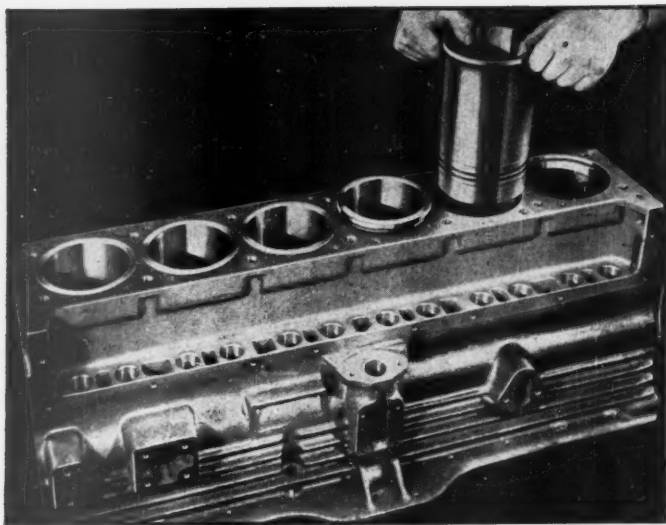
Several weeks ago, Cluett notified its dealers that it was going to cut the price on its surplus shirts. Dealers got a chance to stock up on these items at reduced prices before July 5, when the sale began. Cluett's entire overstock was bought up immediately; dealers figured that the cuts were big enough to move a lot of merchandise in a hurry. (Sample cut: \$5.95 shirts for \$2.45.)

• **Palm Beach Technique**—Goodall Co. tried roughly the same thing—but it backfired. Its price cuts (example: \$27.50 to \$19.75 for a Palm Beach suit) were to go into effect July 11. But the announcement of the decreases—issued a couple of weeks ago and intended for the trade's ears only—got to the public.

That made almost everyone—except the consumer—unhappy. Retailers figured that consumers, knowing price cuts were coming, would hold off buying until the sale started. Hence, many merchants put the cuts into effect soon after the announcement.

That meant that the stores were getting a \$2 margin on suits for which they had paid \$17.75. If the news hadn't leaked out, they could have cleaned inventories up somewhat. Then they could have started the sale period with whatever was left—plus additional stocks purchased from Goodall at a special \$12.25 price for the event.

This week Gordon K. Creighton, assistant general manager of the National Retail Dry Goods Assn., put the wrathful merchants' feelings into words: "Goodall should rebate to all its customers the loss of profit involved on existing stocks from the date of the notice."



REO's GOLD COMET ENGINE uses "wet sleeves" for cylinders

New Engine Raises Reo Hopes

Company's truck sales slumped badly last year. But now Reo has a new powerplant that steps up performance—and a fat Army contract—to brighten its outlook.

Last year was a rough one for heavy-truck manufacturers. Reo Motors, Inc., was no exception. Its sales fell from a fat \$57.4-million in 1947 to \$38-million. Profits nearly disappeared.

• **Change for the better?**—This year Reo thinks things may be better. It bases its optimism on: (1) its success in nabbing a \$31-million Army truck contract; and (2) a brand-new engine that it feels will be at least a partial cure for slumping truck sales.

Reo's engine isn't radical or extreme. But it does develop more horsepower, company engineers say, than any other 6- or 8-cylinder engine with a similar displacement.

The powerplant, called the Gold Comet, is in the 331-cu.-in. class. A 6-cylinder model, it has an overhead-valve design and develops 140 hp. at 3200 r.p.m. Its major innovation is its use of the "wet-sleeve" principle—the first time the idea has been tried in a gasoline truck engine.

• **Details**—Reo uses sleeves or tubes instead of conventional cylinders, which are generally cast into the engine block. The pistons move inside these sleeves; the sleeves are held in place in the block and kept waterproof by an overlapping gasket and two Neoprene seals.

Water in the block circulates freely around the sleeves (that's why they are

called wet sleeves). Cooling is helped by the uniform thickness of the sleeves and by a system that allows the water to enter the engine at the middle, rather than at the front of the block.

But the big advantage of the wet sleeve is that you can replace individual cylinders quickly and cheaply.

Departures from conventional fueling-system design are in evidence, too. The intake manifold is cast integrally with the cylinder head, and this exposes it to water on two sides. Moreover, the exhaust manifold removes fumes from two points in the head; this design is supposed to reduce back pressure.

• **Plan Ahead**—In designing the engine Reo engineers kept one eye on today's market and the other on the future. The engine's present 6.4-to-1 compression ratio permits efficient operation with practically any grade of gasoline. But if better fuels become available and compression ratios are stepped up, the engine structure can be adapted to handle the increase.

To carry the engine, Reo is building a new truck model with a cargo weight range of 17,000 lb. to 22,000 lb. as a truck, 22,500 lb. to 38,000 lb. as a tractor. The entire hood will lift up to make it easier to do repair work and maintenance.

A Winner Quits

American Oak Leather facing gloomy prospect for the future, decides to cash in its chips while it's still ahead.

Sixty-nine years ago James E. Mooney organized a tannery in Cincinnati. It used the abundant supplies of tanbark in the area.

• **Success**—In 1907, Mooney developed a new speedup process for tanning leather with a chestnut extract. It wasn't long before he knew he had a good thing. With the new process, raw hides brought into the tannery to soak in January were out of the finishing room by June—fast time for the industry. Mooney's American Oak Leather Co. became a leading supplier of leather for shoe soles.

For years the company provided a comfortable income for its owners. By 1923, gross sales were up to \$6-million, bringing in an after-tax profit of almost \$264,000 for the year. Even during the '30's, the tannery managed to stay in the black most of the time.

War years quickly hefted the company above its depression plateau. In 1942 sales of tanned hides shot up to over \$10-million. And they kept on climbing. The sales tally was \$11½-million in 1946; in 1947 it nudged up to almost \$15-million—a new record that earned the company \$723,000 after taxes. For 1948, gross sales shaded off to \$12½-million, but income was still well above the prewar average.

• **Health**—Company books on May 28 this year looked healthy. Assets showed cash on hand of \$2,419,855.44 plus \$939,936 in government securities. Liabilities were listed at \$1,034,722.34.

• **Death**—Last week the company decided to dissolve.

Said president William H. Mooney, great-nephew of the founder: "We're very sorry. . . . You may be sure the decision was not reached without long and careful weighing of the facts." Apparently, the picture that looked so pretty on the books had disturbing undertones.

The trouble, said Mooney, lay in the "encroachment of substitute materials" for shoe soles. Rubber and composition materials for shoe soles and heels have been taking bigger and bigger bites out of the market, especially since the war. New synthetics like Goodyear's "Neolite" (BW—Jun. 11'49,p49) can make claims that are tough for the leatherman to answer: "Wear twice as long as leather, cost half as much."

• **Score Card**—Dept. of Commerce and Bureau of the Census statistics have

kept score on the leather vs. composition struggle. Their figures show that in March, 1946, leather soles were used in 74.6% of the men's shoes made; in March, 1949, they were used in only 61.7%.

Even more significant is the shift in the women's shoe line—because women buy more shoes than men. Between March, 1946, and March, 1949, use of leather soles in women's shoes declined from 80.4% to 58%. And from all indications the downtrend will continue.

• **Maintenance**—Added to the company's threat of dwindling sales is the heavy burden of plant maintenance. The major portions of American Oak Leather's Cincinnati plant were built when the company was founded in 1880. Maintenance charges have increased progressively from \$48,000 in 1938 to a figure slightly less than \$400,000 last year.

• **Little Hope**—Altogether, says Mooney, the picture looks dark, too dark to risk the capital of the company's 250 stockholders: "About 60% of our common stock is owned by women. In many cases these stockholders have little or no outside resources, so that if anything should happen to their investment in this company, it would amount to a major tragedy in their lives."

That's one reason the company management decided to close shop while the books still looked fairly solid. In liquidating, American Oak Leather will let its owners down easy—with an estimated cash-in value of something over \$15 per share of common. This is practically the peak value in the history of the common stock. Preferred holders will redeem their shares at par value: \$100.

Ward Catalog Lists Big Price Reductions

Lower price tags in the new Montgomery Ward & Co. catalog, out this week, match the cuts announced last week by its big competitor, Sears, Roebuck & Co. (BW—Jun.25'49,p24). Ward officials call the reductions the biggest since 1938. More than half the items listed are lower than last spring, and very substantially below those of a year ago. Cuts range up to 35% and more on some items.

• **Reductions**—Compared with a year ago, women's ready-to-wear items are down from 4% to 39%. Dress-shoe reductions go as high as 32%. On piece goods, prices in some cases run 40% below last fall.

Among the substantial cuts: percale sheets, 17%; pillow cases, 24%; men's bib overalls, 13.5%; furniture, 10-15%; auto batteries, 15-25%.

Liquor Is a Price Problem

Monopoly states wonder whether they will make more profit by cutting at retail as distillers cut. Most have answered yes. But now Ohio may switch to a higher markup.

Hot competition for the liquor market is stirring up a peculiar problem in the 17 "monopoly" states—where the state government has a monopoly on the sale of liquor.

Should a monopoly pass on to the consumer the price cuts granted by suppliers and hope for higher public revenue through bigger sales of liquor? Or, when the supplier cuts prices, should the state raise its markup on the liquor it sells and increase its revenues that way?

Last week, several states were sweating out those questions—under the watchful eye of the liquor suppliers.

• **Des Moines Warranty**—The monopoly states have an advantage over the private dealers operating in the "open" or license states. Several years ago, these monopolies banded together and imposed the so-called Des Moines Warranty upon distillers, importers, and other suppliers.

Under that agreement, any supplier who offers a price cut to a wholesaler anywhere in the country must offer the same new low price to all the monopoly states. That way, the monopolies can always buy their liquor at the cheapest price.

• **Sales or Revenue?**—When price cuts are the order of the day—as they are now—distillers and state monopolies don't always see eye to eye on how the cuts should be handled. The distiller wants to sell in large volume in competition with other brands. The state doesn't have to worry about competition. And some states figure they gain more by raising markups than by lowering prices.

• **Price Cutters**—Most of the states have decided to lower retail prices along with the wholesale cuts they get. Last week, the Michigan and Alabama control boards made cuts on a long list of liquor brands. In Michigan, price reductions ranged from 12¢ to 90¢ a fifth.

This action brought the score up to 15 states that have passed on to consumers the wholesale price cuts granted by distillers two months ago. Only two monopoly states—Montana and New Hampshire—haven't acted.

• **Markup School**—But last week Ohio, a monopoly state, was getting ready to renege on its prices cuts, which it had put into effect on May 1. Gov. Frank D. Lausche and legislative leaders were agreed on enacting a new bill. This would raise the markup on retail sales from 30% to 40%, and on wholesale

sales (to bars, taverns, hotels, and clubs) from 15% to 20%. They figured the new markups would increase the state's liquor profits by \$8-million a year.

• **Pennsylvania**—Just as Ohio was getting ready for a higher markup, liquor suppliers in the monopoly state of Pennsylvania were getting together to lower that state's liquor markup. Their argument: The state's 48% markup on liquor in state stores, plus the 10% sales tax, has been hurting liquor sales.

It's too early to say yet what Pennsylvania will do. For just as the suppliers started pulling strings to get a retail-price cut, the state came out with a report of its liquor operations for the fiscal year ended May 31. It showed sales of roughly \$207-million—1% below the previous year. But profits set a new record of \$39.5-million, not counting the nearly \$19-million yielded by the sales tax.

• **Competition is Key**—For suppliers, of course, the burning problem of the whole liquor market is competition. People are drinking about as much liquor in 1949 as they drank last year. But that's not particularly good news. For consumption in 1948 was 6% below 1947. And 1947 was down a whopping 23% from 1946. A drop of nearly 30% in three years is enough to hurt—and to put an edge on the competitive knife.

• **Of Age**—Competition has gained new sharpness from a second factor: On July 1, the postwar aged whiskeys came to life (BW—Mar.26'49,p80). It's now estimated that between 75-million to 80-million gal. of aged whisky will mature and be available for bottling during the next year.

Distillers believe that with plenty of aged whisky coming in, the drinking public will thumb its nose at the blends containing neutral spirits. So leading distillers—notably Schenley Industries, Inc., and Publicker Industries, Inc.—are offering increasing quantities of straight whisky products.

• **Pattern Shift**—You can already see a shift to straights in the following bottling figures, as reported by the Alcohol Tax Unit of the Bureau of Internal Revenue (in millions of wine gallons):

	First Five Months	
	1948	1949
Bonded whisky	3.4	3.1
Straight whisky	3.0	5.0
Blends of straights5	.9
Spirit blends	45.5	43.4
Total whisky	52.4	52.3

What the Housing Bill Will Do

When and where the 810,000 subsidized public-housing units will be built. How the new \$1.5-billion slum-clearance and urban-redevelopment program will work.

Businessmen can now tell how the Administration's new housing bill will affect them.

The Senate passed a housing bill on Apr. 14; the House took similar action last week. There were only slight differences between the two versions, and the conference committee had no trouble adjusting them. The bill will:

AUTHORIZE the building of 810,000 low-rent dwelling units by local housing authorities over a period of six years. The projects will be subsidized by the federal government under 40-year contracts; top limit on over-all subsidy payments is \$308-million a year.

LAUNCH a five-year program of urban redevelopment and slum clearance. To aid these projects, \$1-billion in federal funds will be available for loans and \$500-million for outright grants.

SET UP a fund of about \$325-million for loans and grants to aid farm and rural housing.

GIVE the Housing & Home Finance Agency broad authority to carry on a general housing-research program, in cooperation with public and private organizations.

INITIATE a housing census every five years, starting in 1950.

• **Prototype**—The first two are by far the most important. The public-housing program will be very much like the one the government operated before the war. The actual building is done by municipal housing authorities, set up under state laws. About 40 states have enacted such legislation; practically all major cities have such authorities.

The Public Housing Administration (a subsidiary of H.H.F.A.) has a \$1.5-billion revolving fund from which it makes loans to the local authorities to get their building started. These are mostly short-term loans; they are repaid from the proceeds of bonds issued by the authorities themselves.

• **Subsidies**—The local authorities won't have any trouble selling their bonds. They are gilt-edged investments. The subsidy feature of the housing bill makes them that.

This feature guarantees annual payments to the local authority to make up the difference between income (based on low rents geared to tenant income) and expenses, including bond interest and amortization.

The subsidy is not a fixed sum. It is

adjusted each year, to cover only the actual loss on each project. During the lush war years, for example, the family incomes of many tenants in housing projects went up. So their rents went up, too. This boosted the total income of the projects—in some cases, to the point where no federal subsidy at all was needed. And the total amount of subsidies paid went way down.

• **Time Lag**—It will probably take about a year before the program gets to the contract-letting stage on an appreciable number of projects. But some jobs will move faster. At the beginning of the war, PHA was committed to projects for 25,400 dwelling units that had to be deferred.

But many of them had progressed a good way on the road to actual construction. Some local authorities had bought sites and prepared final plans. So these projects are all set to go ahead fast when the bill becomes law.

Detroit, for instance, has three deferred projects, totaling 2,400 units.

Mayor Van Antwerp told the American Municipal Assn. in January that the city could go ahead with construction as soon as federal subsidies were assured.

• **Slum Clearance**—The bill's slum-clearance provisions permit local bodies to buy up blighted areas and clear them; then to sell or lease the land to private interests for building. Sale would be at less than cost to permit economical redevelopment. The bill authorizes \$1-billion in loans to local bodies over a five-year period for land purchase and clearance. Another \$500-million is provided for grants to repay the local governments for two-thirds of the loss incurred by selling the land below cost.

This program will take a good bit longer to get under way than the low-rent housing. Many states and cities aren't yet ready to take advantage of the slum-clearance provisions of the bill.

• **State Laws**—As of now, 24 states have laws authorizing participation under the program. But many of these may have to be amended to eliminate conflicts with the federal law.

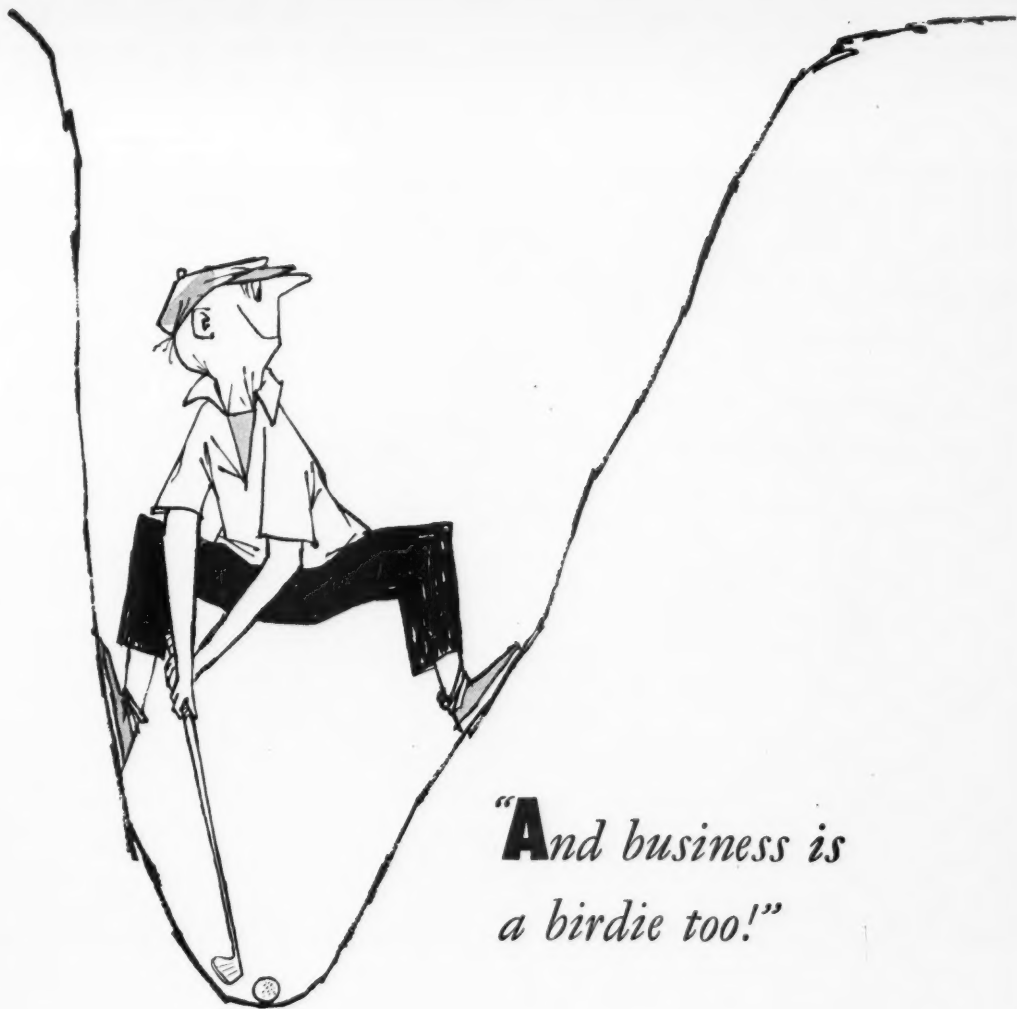
HHFA thinks several cities are far enough along in their preliminary work to be able to complete specific plans and enter slum-clearance agreements in about a year. Among these cities: Chicago, Detroit, Norfolk, Philadelphia, Providence.



Luxury for Bus Riders—If Length Is Legal

A hand-made test model of Greyhound Corp.'s new, two-tier bus had its trial run at Chicago last week. Called the Scenicruiser, the 43-seat coach boasts "driver's seat visibility" for all passengers. The raised rear deck, seating 33 passengers, leaves plenty of stowage space below for luggage. Some other pluses: washroom and toilet facilities, an observation lounge at the rear of the upper

deck, a public address system. The Scenicruiser keeps below state limits on vehicle height, but length may be a problem. The new bus is 40 feet long, longer than some states allow. So Greyhound's president, Orville S. Caesar, hopes that tests of the Scenicruiser will prove so successful that "the riding public everywhere will insist on their right to use this new type of service."



**"And business is
a birdie too!"**

I met this character on the 8th.

He'd just dropped the prettiest birdie you ever saw and he was feeling spry.

"Gotta thank Comptometer for that one," he said, teeing up.

Naturally, I alerted. That's the company I sell for.

"Comptometer?" I asked.

"That's right," he said. "Since I put in their Payroll Plan, I've got no big worries and few small ones. That plan not only saves money, it saves time for my game."

He squinted against the sun, lined up the 9th green. "And

it's so simple," he said. "Why, man, original postings yield final results!"

And then this character hauled back and socked a beauty — 250 yards if an inch.

"But the best thing," he said, picking up his bag, "Comptometer's Payroll Plan has cut 20 strokes off my game!"

* * *

Your game may be at par, but why not let a Comptometer representative show you how to save money for your firm and hundreds of profit-wasting man-hours in getting out a payroll? Ask him to show you our new booklet, "Felt and Tarrant's Streamlined Payroll Plan."

COMPTOMETER

REG. U. S. PAT. OFF.

ADDING-CALCULATING MACHINES

Made only by Felt & Tarrant Manufacturing Company, Chicago, and sold exclusively by its Comptometer Division, 1733 N. Paulina St., Chicago 22, Ill.

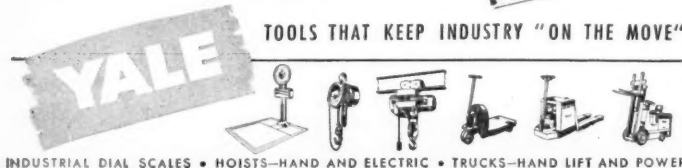
Better Now Than Later . . .



Now that management is attacking the high cost problem with vision and vigor, startling savings are beginning to appear. Most outstanding are the economies due to improvements in material handling techniques. For example, in one operation alone, a metal awning company increased efficiency 100% by using Yale Hoists. In the automotive field, a manufacturer adopted fork trucks and a unit system for loading springs: Result: 92% hacked off loading time.

These examples make it clear that choosing the right system and equipment is of first importance. Your plant has its own particular handling problems. How much you can save depends on how you solve them. To give you practical help, Yale has prepared *The HOW Book of Cost-Cutting Material Handling*. This brochure does more than picture different kinds of material handling machinery in use.

It shows you how to analyze your handling routine and select equipment that will save the most. Write for your copy. Address The Yale & Towne Manufacturing Company, Department X-6, Roosevelt Blvd., Philadelphia 15, Pa.



BUSINESS BRIEFS

Easier time payments offered new-car buyers by New York's Industrial Bank of Commerce—36 instead of 24 months to pay—are an exception. Most other banks and investment companies are determined not to ease terms because of Regulation W's death (page 60).

G.M.'s June output—275,703 cars and trucks—chalked up a new monthly production record for the corporation.

A twofold gain for Buffalo will come out of Ford's plan to build a pressed-steel plant there for passenger-car stampings and assemblies. As a result, Bethlehem Steel will double production of cold-rolled steel and strip at its nearby Lackawanna plant.

You can get a phone without waiting in New Jersey, where declining demand has caused New Jersey Bell Telephone to lay off 340 workers. But as yet that hasn't happened elsewhere, despite the inroads the Bell system has made in its order backlog (BW—Dec. 11 '48, p. 25).

Pay cuts for top officials will help reduce operating costs of the Twin Coach Co. The Kent (Ohio) company has had to shut its plants during the entire month of July for lack of orders.

Lower air-freight rates on shipments from the U.S. to the west coast of South America will take effect on Panagra Aug. 1. Cuts range from 15% to 50%.

High production costs have forced General Tire & Rubber to close down the Jeanette (Pa.) tire and tube plant of its subsidiary, Pennsylvania Rubber. Another subsidiary—Mansfield Tire & Rubber—will make the Pennsylvania brand.

Kansas City will get its first big new office building since the early 1930's—a block-long, 12-story, completely air-conditioned structure, costing \$7.5-million. Eastern money will finance it.

New construction during the first half of 1949 reached a new record of more than \$8.4-billion. An increase of 22% in public construction pushed the total 4% over the first half of 1948. Private construction was off 5%.

Price cuts of 9% on Pittsburgh Plate Glass Co.'s entire line are "a company speculation on lower raw-materials prices," according to E. D. Peck, general paint manager of the merchandising division. He thinks "the purchasing public is stalling on its buying needs in anticipation of lower prices."

YOU CAN BE SURE..IF IT'S Westinghouse



THIS IS A LOUD NOISE IN OUR QUIETORIUM

For one brief moment, we thought of showing you a real picture of this Quietorium of ours.

But actually it looks much the same as any other room built in the middle of a factory . . . even if it is all double walls, and sound traps, floating springs and such.

What makes it unusual is something we can't picture . . . *silence* so complete that even the sound of a human heartbeat can be measured.

Our refrigerator compressors march in continuous procession through this tinkered-up

room . . . each one "auditioned" by an expert sound technician. When an occasional one acts up like a noisy little brat, it is sent right back to the shop for another "silencing treatment".

We have the old-fashioned idea that you want a refrigerator to refrigerate. Noise-makers can be had at the five-and-dime.

Hence the Quietorium. It puts the finger on our ideal of perfection and holds us to it. It's just one of scores of tests we make on everything from turbines to toasters . . . to make sure we live up to that ideal.



MAKER OF THE BROADEST LINE OF ELECTRICAL EQUIPMENT

"He that invents a machine augments the power of man"—HENRY WARD BEECHER



How electricity "lightens" our lives...

TWO HUNDRED SIXTEEN BILLION kilowatt hours—nearly four billion dollars worth... is a lot of electricity! Yet that vast quantity supplied the United States for just one year (1947).

This tremendous flow of electric power couldn't have been put into the country's power lines without carbon. You'll find carbon, too, in the switches and control equipment that distribute electric power... in most of the electric devices in your home... in the batteries for your radio, flashlight, hearing aids. Your telephone is voiceless without carbon.

Better materials contribute immensely to improved electric service. Hydrogen gas keeps huge generators cool... nitrogen gas is kept under pressure in important cables to warn when the protective casing is pierced... plastics give insulation that is more efficient yet thinner, tougher and

longer lasting; also provide construction material that is insulation in itself. Alloys give metals of better electrical and strength properties.

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Up to
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OLYMPIC
MOTOROLA**

...Third week, 70%

TV Prices Dive as Stocks Pile Up

New York's big stores have climbed aboard the price-cut wagon. Obsolete sets, partial market saturation are main reasons.

In most parts of the country there's a golden aura around television. Everyone is enthusiastic about it—the men who stage the programs, the people who watch them, the retailers who sell sets.

In New York City, however, the retailers have stopped smiling.

• **Disenchantment**—They have found that video isn't the key to the promised land. Instead, it's just another appliance in oversupply. Open war—in terms of prices—has broken out.

Price-shaving in TV lines isn't new, to be sure. But up until now you had to go to a hole-in-the-wall dealer.

Now you can walk into almost any

store, large or small, chain or independent, and get a price knockdown. Time was when big department stores like R. H. Macy & Co. were extra conscientious about obeying the fair-trade laws (which enable a manufacturer to specify the minimum retail price for his products.) In the last three weeks, however, all that has gone by the boards. Top-drawer retailers are openly offering mammoth discounts on nationally branded lines of TV sets. By last week, some of the discounts hit the 70% level (cut).

• **Follow the Leader**—Macy's took the lead in skirting the fair-trade law and

slashing prices. The store advertised "up to 50% off" on TV sets, gave brand name, list price, and sale price. The receivers were described as "most brand new." Earlier advertisements had described sale models as "floor samples and discontinued models."

Other big retailers were quick to follow suit. Vim Radio & Sporting Goods Stores immediately clipped from 24% to 60% on video sets. Fair-trade prices were grouped under a column headed "formerly price fixed at..." Monarch-Saphin Co., Inc., which operates two New York outlets, topped that one by saying that "prevailing prices on all these items are fixed by the maker according to law... yet we reduce prices up to 60%."

Even Monarch-Saphin's boast was

5 New CUMMINS DIESELS

A-6 100 hp

HR-4 110 hp

H-6 150 hp

HR-6 165 hp

HS-6 200 hp

NH-6 200 hp

HRS-6 225 hp

L-6 250 hp

NHS-6 275 hp

NHRS-6 300 hp

NVH-12 400 hp

NVHS-12 550 hp

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The all-around economy of Cummins Diesels increases your profits on any automotive, marine or industrial job. Standardizing on Cummins Power gives you these additional advantages: engines, units and assemblies are interchangeable . . . service problems are simplified . . . replacement parts inventories are reduced . . . down-time is held to a minimum.

outdone last week. Times Square Stores Corp. (with some 19 stores in the New York area) hawked its TV sets by asking customers to "name your price on any famous-make television and we'll try to meet it. . . . Discounts from 20% up to 70% off."

• **Background**—Behind the retailers' drive for sales is the fact that New York had a lot of TV stations long before other cities. So set makers concentrated their shipments there, with the result that New York is now probably more saturated than any other city.

Further, even the ebullient receiver manufacturers were surprised at the speed with which the public took to TV. High demand brought production economies. Then tubes and other parts got into easier supply. In all, the set makers soon could produce (1) sets at cheaper prices, or (2) better sets for the old prices. They found, for instance, that they could offer 12-in. screens for the price they used to charge for the 10-in. models. That meant that small-size screens tended to grow obsolete—gradually at first, then with a sickening rush.

New York appliance dealers thus got into a triple squeeze from lower prices, obsolescence, and partial saturation of the market. And the dealers know just one remedy for that: Cut prices.

As a result, many stores are buying on a hand-to-mouth basis. That has backed up inventories in the distributors' warehouses.

• **Tie-Ins**—Here's another factor that has caused retailers—especially the smaller ones—to sip bitter brew. During the lush TV selling days, distributors forced dealers to buy several radios in order to get one TV set. Demand for radios dipped as television gained in popularity—and many stores were faced with large immovable inventories of radios.

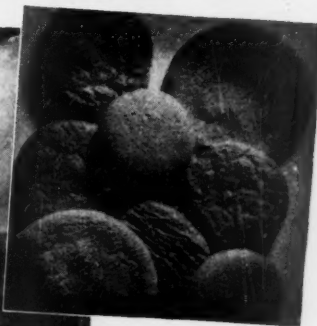
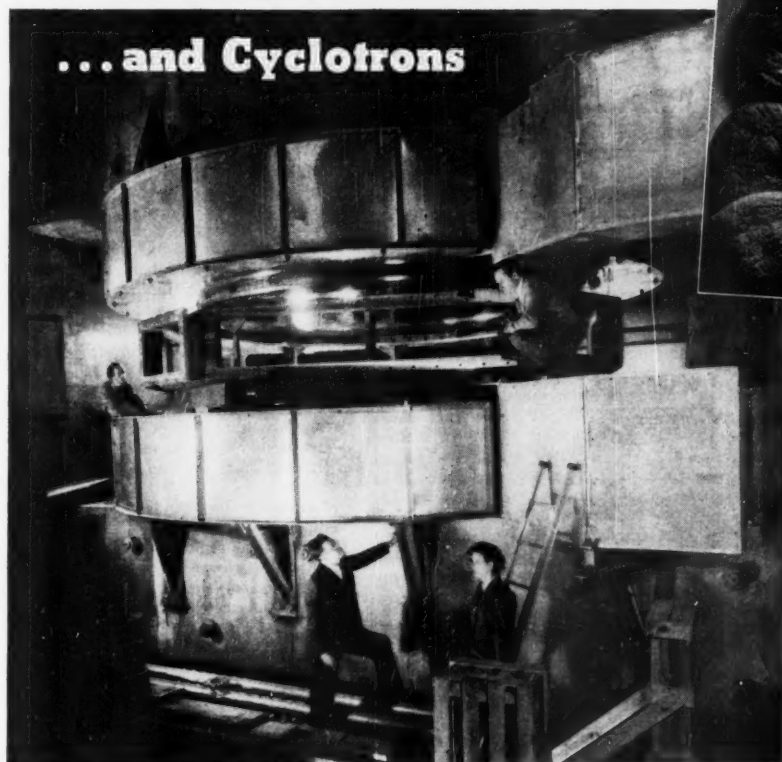
In the days when TV sets stayed on the display floor about four hours before being sold, that wasn't too serious. TV sales supplied dealers with enough cash to operate comfortably. But as soon as video demand became a little less frantic, the cash intake slowed down. And in order to pay the bills on the radios (and other appliances, which had also slowed considerably) the dealers had to turn over their video sets in a hurry.

To do it, the small dealers cut prices. And to tie up customers for future sales, they offered discounts on sets they hadn't even received. One of the most spectacular cases involved an RCA 16-in.-screen table model. A number of dealers offered discounts on this set before a single receiver had been delivered to their stores.

• **Big Store Squeeze**—This price competition from the little fellows has hurt the department stores a lot. Up to now,

Chicago Research Considers Cookies...

...and Cyclotrons



Synchro-cyclotron being installed by Institute for Nuclear Studies, University of Chicago at a cost of \$2,200,000.

EACH year, educational institutions in Chicago and Northern Illinois undertake millions of dollars worth of research for industry. The varied projects range from *cookies* (Chicago is a great food processing center) to *cyclotrons* (Chicago has the largest private enterprise in the world for the study of atomic science).

In an age of rapid technological change, teamwork between education and industry is of major importance to the industries of Chicago and Northern Illinois. Industry provides funds, both for basic and applied research. It also furnishes a vast array of facts developed in industry's own laboratories. Educational institutions provide the trained scholars and scientists, the facilities, and the objective viewpoint vital to research. Important, also, are the unparalleled library facilities of the Chicago area, for today library research is a basic prerequisite to

successful and economical scientific research.

This research partnership in the Chicago area has already been fruitful. New and improved products and processes helped arm America during the war. They have aided the record outpouring of peacetime goods and services since the war. Every user of goods has benefited by the improved quality and lower production costs that have resulted from research.

As the volume of research sponsored by industry in educational institutions is growing almost daily, it is inevitable that it will continue to yield impressive dividends in the Chicago area.

The Chicago area's unique combination—a great educational center and a major manufacturing community—makes the region increasingly attractive to forward looking industrialists. It is the growth area of the nation.

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WESTERN UNITED GAS AND ELECTRIC COMPANY • ILLINOIS NORTHERN UTILITIES COMPANY**

Believing in the advantages of Chicago and Northern Illinois, these companies have been and are concentrating solely on the advancement of the territory they serve—cooperating with Illinois agencies having similar objectives.

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SONS INCLUDED
WEBSTER BASEBOARD
HEATING IN THE
DESIGN OF MY NEW
HOME. I LIKE THE
COMFORT AND
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HEATING**

they have been afraid to risk price-cutting on fair-traded goods.

The R. H. Macy move, which touched off the wildfire price cutting, grew out of a desperate attempt to stimulate sales. For the past two years the big store has tried to carry a large number of different television brands. Its inventories finally looked too risky.

Macy, like others, is meeting the situation not only with price cuts, but with private brands. The store recently ran an ad on its Artone brand that said: "You can't play a nationally advertised label. A nationally touted trademark doesn't make your TV reception any better—or your TV set better looking."

Retailers contend that they can offer a low competitive retail price with a private brand, yet draw off a larger profit per unit. So Vim is pushing its Bestone brand, Gimbel's its Televista, Sears, Roebuck its Silvertone.

• **Markups**—Short markups on nationally branded TV sets are another reason retailers are pushing their own brands. On a national brand refrigerator, for instance, the retailer can add about 33% to the price he pays the distributor. On a TV set, he can add only about 28%. (He could raise the retail price, of course, to get a bigger markup, but he wouldn't stand much chance of moving his stock.)

• **Calm at Home**—Nobody seems to be badly disturbed that the fair-trade pricing system for TV sets is floundering. Within certain limits, manufacturers don't care how retailers price their wares as long as the stores move the merchandise. (Of course, manufacturers don't want price competition to drive too many dealers out of business. Besides crimping the distribution systems, that would throw a lot of their products on the market as distressed merchandise; and no one wants a reputation for turning out goods that have to be sold at distress prices.)

A year ago, several manufacturers (among them DuMont, Magnavox, Sparton, Bendix) made determined efforts to maintain fair-trade prices. Now, however, TV supply lines are so clogged with merchandise in New York that most manufacturers and distributors will stand for anything that sells sets.

• **Appliances**—Outbreaks of price-cutting have occurred in appliances, too. On the whole, though, this is a slower moving business than video, and the results haven't been so dramatic. New models and manufacturers' price cuts have come at a slower pace. And the inventory crisis in appliances has, to some extent, been cleaned up at the retail level.

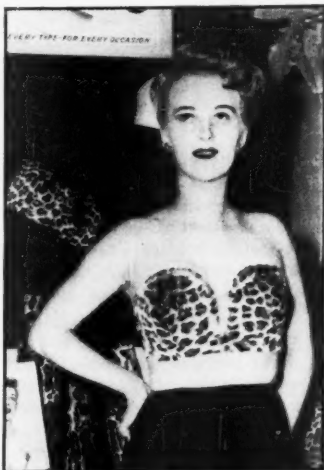
The history of the radio and appliance business indicates that price-cutting is a feature built into the system. Fair-trading in appliances has often been, at best, lip service to a law.

Self-Service Stations Fight Seattle Ban

Self-service gasoline stations pull customers by lopping 2¢ to 4¢ a gallon off the retail price—and counting on volume for profit (BW—Jul. 24 '48, p68). For that reason, self-service has encountered rough opposition from conventional filling-station operators. A growing number of cities have banned self-service filling stations on grounds that they are a fire hazard.

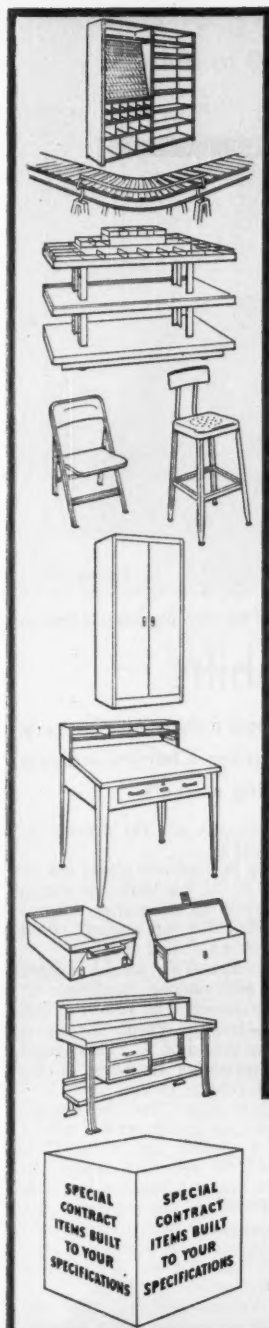
• **Seattle Veto**—Last month, the Seattle city council voted to ban self-service stations. Mayor William F. Devin vetoed the measure, arguing: "To deny a citizen the right to engage in a lawful business because by so doing he might put someone else out of business is not the function of a legislative body." Devin said the fire department was satisfied that adequate safety regulations could be imposed. To back Devin up, 19 business and professional men petitioned the council to sustain the veto.

Last week, the council overrode the veto, 6-2. But within 24 hours, the Independent Self-Service Gasoline Dealers Assn. began a referendum campaign to put the issue on the ballot at the municipal election next spring.



To Warm Milady's Heart

The Lady Marlene Brassiere Co., New York, has given the conventional bra a new twist with the introduction of "The Heart Warmer," a fur covered brassiere. Designed to be worn with either cocktail skirt or slacks, the bra retails from \$15 in American Broadtail and Leopard to \$100 in Ermine and Mink. Saks, 34th Street, New York, sold seven dozen the first two days.



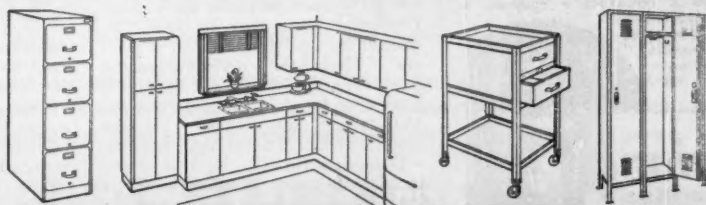
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Hundreds of manufacturers have discovered the advantage of using Quincy Compressors on their products. Many more use Quincy Compressors for compressed air supply in the plant. They rely upon Quincy Compressed Air Specialists for help in solving all kinds of compressed air problems.

Quincy builds the most complete line ranging from 1 to 90 c.f.m. Units can be operated either by electric motor or gasoline engine. Advanced features assure greater over-all efficiency. For details, write QUINCY COMPRESSOR CO., Dept. W-79, Quincy, Ill.

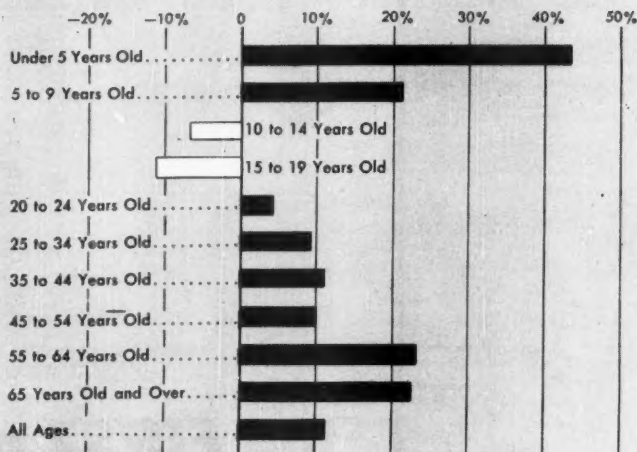
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Changes in Population from 1940 to 1948



Source: Bureau of the Census.

© BUSINESS WEEK

POPULATION AGE-GROUPS have shifted around in last ten years. Business may find . . .

Sales Tips in Age Shifts

Breakdown of 1948 population shows sharp rise in very young, very old; decline in late teen-age group. Changes indicate what fields are likely to offer most promising markets.

Home builders and the home-furnishing industry may run into a slowdown in the next ten years.

On the other hand, makers of toys, children's clothing, school supplies and other equipment for children may find good pickings in the next decade.

• **Census Breakdown**—You can draw conclusions like these from some population estimates just released by the Bureau of the Census. Marketing men are poring over the figures to see what age groups the big new population (146.5-million in 1948) fits into.

The figures show that, while there were 11% more people in the U.S. in 1948 than there were in 1940, the changes by age groups varied a good deal. Thus, the under-five-year-old group jumped 43%—the rise that spells good news for children's suppliers; the 15-to-19-year olds declined 11% the drop that bodes ill to the home builders.

• **Youngsters Up**—The big hike in the number of persons less than five years old, of course, reflects the big wartime and postwar crop of babies. Besides, it reflects the high level of the economy during that period. You can see that, if you compare the gain for the under-five group with the losses registered by the

ten-to-14-year-olds and the persons between 15 and 19.

The drop in these two groups is a direct result of the low birth rate during the dark days of the depression. A lot of people figured they just couldn't afford to have children at that time.

• **Oldsters, Too**—The second biggest hike took place among the people 55 years old and over. The answer to this one is pretty easy: People are living longer than they used to. That means that the increasing birth-rate of the 1890's is beginning to show up.

You would expect that the increase in the older age groups would cause a rise in the median age of the U.S. population (the age that divides the population into two equal groups—one older than that age, one younger.) But it didn't; instead, it held steady. That's because the very large number of post-war births canceled out the increase among older people.

• **More Women**—The sex ratio (the number of males per 100 females) changed, too. It declined from 100.7 in 1940 to 99.1 in 1948. In other words, where we had an excess of a half million males in 1940, we now have a female surplus of about the same size.

Maybe you **ARE** getting good production



Others are doing it. It is not mere coincidence that those plants whose production records are among the best in the country are also the biggest users of Stainless Steel. The reason is simple.

To obtain better yields, greater speed, and lower operating costs, the process industries in recent years have been forced to employ higher and higher temperatures and pressures. This has usually involved more severe corrosion conditions. As a result a more extensive use of Stainless Steel has become imperative. In fact many of today's high-speed operations would be impossible or uneconomical without it.

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is essential—where product contamination must be avoided—where down time for repairs and replacements must be kept to a minimum, nothing equals Stainless Steel.

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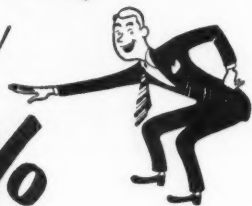


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Help for Dealers

**G.M. celebrates 20th year
of plan under which it invests
money to get new auto dealers
on their feet.**

When you're setting up dealerships for an expensive product, you want to get the best, most experienced men you can. But often men of this caliber don't have enough money to rent a store, hire a staff, and carry a high-priced inventory.

What do you do then?

• **One Answer**—General Motors found an answer two decades ago. Some 400 General Motors car and truck dealers have just celebrated the 20th birthday of Motors Holding Div. Alfred P. Sloan Jr., G.M.'s chairman of the board, and Donaldson Brown, a G.M. director, are its creators.

Motors Holding Div.'s function is to invest—not lend—capital for incipient G.M. dealerships. Once the dealership gets on its feet, the dealer buys M.H.D.'s holdings out of his profits.

• **Requirements**—To qualify for M.H.D. help, the prospective dealer must first get a franchise from a car division of G.M. And he must put up at least 25% of the capital himself.

If M.H.D.'s check of his ability, experience, and responsibility is favorable, the company invests the remaining 75% through a stock purchase. The dealer may draw a salary from his new venture. And he gets an annual bonus of half of all profit in excess of 15% of the paid-in capital. The rest of the profit is divided between the dealer and M.H.D. on a share-for-share basis.

• **Purchase Plan**—M.H.D. requires the dealer to use all his profits plus at least half his bonus to buy back M.H.D. stock. Normally, he gets it all back in about three years.

The dealers have to follow certain standardized accounting procedures and business management policies. Beyond these basic requirements, however, the dealer has a free hand.

• **175 Dealerships**—At present, Motors Holding Div. has money (from its \$10-million revolving fund) in about 175 dealerships. Another 450 dealers are M.H.D. alumni. While it's true that about 25% of all M.H.D. dealers were formerly with General Motors, the company does not play favorites with former employees. The other 75% of the M.H.D. dealers were formerly employees of established dealers, generally as salesmen.

M.H.D. makes no distinction on the basis of the size of the potential dealership; the company has invested in very big and very small dealerships.



Mr. S. M. Fridén,
Export Sales Manager,
Fridén Calculating Machine Co., Inc.

"Our overseas customers faced months of delay. The answer was Clipper Cargo."

Fridén Calculating Machine Co., Inc.



"When we shipped overseas by surface transportation, our customers often faced many months of delay.

"The answer was the Clipper Cargo service of Pan American World Airways System. Our company has at last realized its goal of immediate delivery to Fridén customers throughout the world.

"Almost daily we send a shipment abroad by Clipper Cargo. These shipments average some 200,000 pounds a year. They have varied from an eight-ounce package of spare parts to an entire planeload of 5620 pounds.

"Pan American's record of efficient

handling and excellent service has completely sold us on Clipper Cargo."

S. M. Fridén

More and more a record number of America's business leaders are shipping overseas by the world's most experienced airline. In fact, Pan American carries more overseas cargo than all other U. S. scheduled airlines *combined*.

Learn how Pan American can bring more business to your company. Today, call your Clipper Cargo Agent or your local Pan American World Airways office.

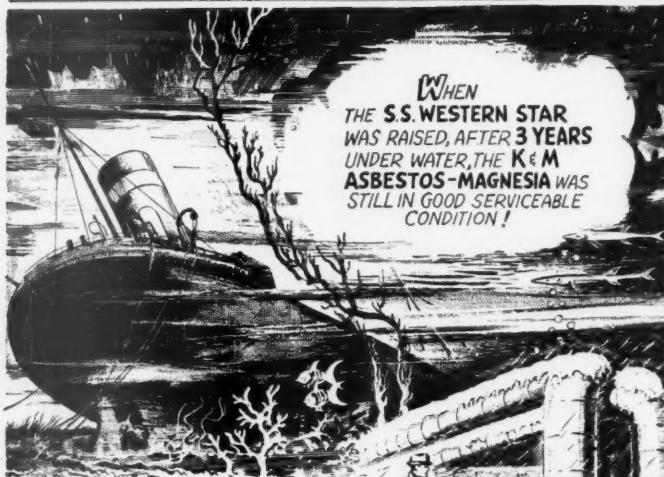
Only Pan American offers the advantages of

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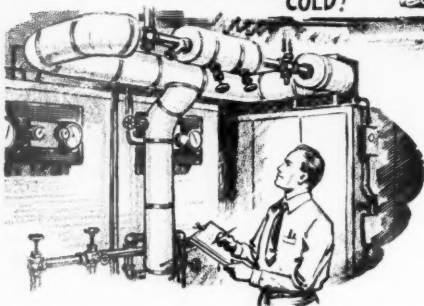


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MARKETING BRIEFS

Chimes on time: The New York department store of John Wanamaker is selling electronic tower chimes to churches and public buildings on a budget-payment plan. Prices range from \$750 to \$5,135.

National distribution of the Westinghouse electric comforter and sheet will be handled by Iselin-Jefferson Co., New York.

California wines will be marketed under state control. A three-year marketing-quota program has been approved by vintners representing more than 85% of the state's production volume.

Complaints on "packing" of installment-buying contracts by car dealers have spurred FTC to call a trade-practice conference in Washington, Sept. 15. Purpose: to get finance companies, auto manufacturers, and dealers to agree that car buyers should get an itemized breakdown of all charges.

Share in a potential gusher is the sales bait offered by a Tulsa retailer. Pigskin Davis Furniture Co. is drilling an oil well and will give away a one-sixteenth working interest to each of seven winners in a drawing.

Cigarettes as giveaways or loss-leaders are banned under New Mexico's 1949 fair-trade act. Wholesalers must mark up prices 2%; retailers must add 8% to their cost.

Summer fur storage is encouraged by Neptune Storage Co., New Rochelle, N. Y., with this bait: Neptune delivers a storage crate; you fill it; Neptune seals it and hauls it away for storage until fall. Cost: \$14.95.

Demand for lower prices is affecting the quality of primary textiles. Textile finishers say that manufacturers are skipping Sanforized finishes, vat dyeing, etc., in order to save money.

Poultry feed manufacturers know that packaging their products in attractive print cloth sacks boosts sales—because farm wives make dresses from the sacks. Now Pay Way Feed Mills, Inc., Kansas City, has added another lure: a zipper built into the feed sack for use in making wearing apparel.

Money spent for alcoholic drinks in 1948 totaled about \$8.8-billion, down 3.7% from 1947. Commerce Dept. said that despite the decline, total expenditure averaged \$93 per capita for drinkers over 21 years old.



Just as it takes a trained apothecary to blend a prescription properly, so it requires a trained staff—such as ours—to coordinate the many factors of plant location.

Bring your prescription to us and we'll show you the many advantages of locating in the B&O area.

Without obligation and in confidence, our Industrial Development Staff will submit for your consideration a complete *custom-made* study to fit *your* individual problem.



Ask our man!

Industrial Development representatives are located at:

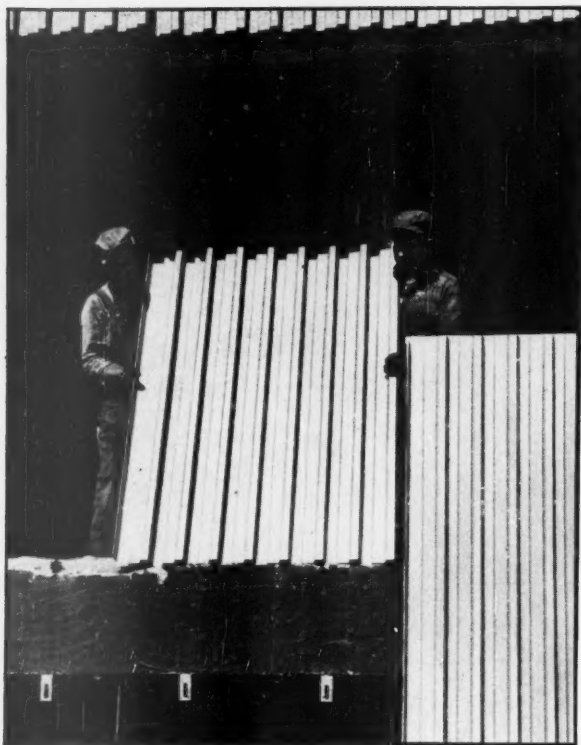
NEW YORK 4, N. Y. • BALTIMORE 1, MD.
PITTSBURGH 22, PA. • CINCINNATI 2, OHIO
CHICAGO 7, ILL.



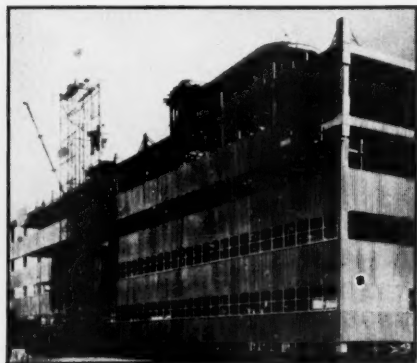
Baltimore & Ohio Railroad

Constantly doing things better

PRODUCTION



1 To create a new market for a product, you have to show a new way to use it. Alcoa's way was to design a building assembled with aluminum panels



2 The building, a four-story office structure in Davenport, is forerunner of 30-story giant in Pittsburgh

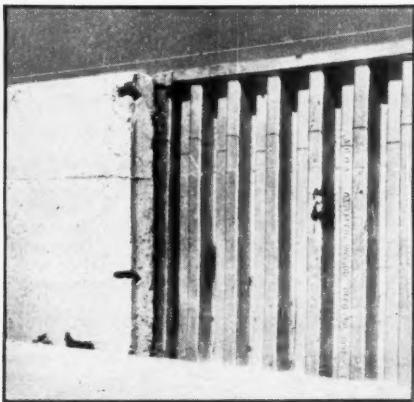


3 After panels have been moved by hand into place, they are attached to steel skeleton by bolts

Building a Showplace for Aluminum



4 Lightweight concrete panels, made from a mix of portland cement and diatomaceous earth, are moved into place from inside the building



5 The concrete fits against the aluminum, provides insulation for the walls (TURN TO PAGE 44)



TASTY SUMMER FOODS for GOOD HEALTH

Summer meals can be both tempting and tasty, while fulfilling basic nutritional needs. Too often, however, meals are planned solely to suit family likes and dislikes without reference to the health requirements of the individuals in the family group.

Summer or winter we require a well-balanced diet—one which includes an adequate supply of proteins, carbohydrates, vitamins and minerals. These essentials for sound nutrition may be found in three groups of foods. *Energy foods*, such as cereals and bread, butter and fats, and sweets, provide fuel for daily activities. *Building foods*, including meat, fish, eggs and milk, help to take care

of growth and repair of body tissues. *Protective foods*, like fruits, vegetables, whole grain or enriched flour, eggs, and liver, are especially rich in vitamins and minerals and help to safeguard our health.

Within each group there is a wide choice of foods which permits the selection of menus suited to the season of the year. Cheese and egg dishes, for example, may be particularly inviting on hot days, while heavy, fatty meats seem more appropriate during the winter. In addition, fresh vegetables and fruits, which are more available in summer, may often be substituted for winter staples.



Digestive upsets are more likely to occur in summer than at other times of the year. A light diet of essential foods, including fruits, will be less apt to overburden the digestive system than a heavy one.



Raw vegetables, served in salads, are often more nutritious than cooked, for the vitamin content of cabbage, carrots and other vegetables is higher when raw. Substituted occasionally for cooked vegetables, they may also make meals more appetizing.



One good hot meal a day in the summer is recommended by nutrition experts. During the war, U. S. Army tests in the tropics showed that it was easier for overheated men to digest hot food than cold.



In summer, because of greater perspiration, the body may lose more than 1½ quarts of water a day. This liquid must be replaced, for it helps to assimilate food and regulate body temperature. So, one should drink plenty of liquids in warm weather.

Eating wisely can help avoid overweight, or other conditions which may be detrimental to good health. Authorities say that eating the right foods in the right amounts usually brings a better level of health at all ages, and may contribute to a longer life.

More facts about healthful eating may be found in Metropolitan's booklet, 79-S, "Three Meals a Day." Write today for a free copy.

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Metropolitan Life Insurance Company

(A MUTUAL COMPANY)



1 MADISON AVENUE, NEW YORK 10, N.Y.

TO EMPLOYERS: Your employees will benefit from understanding these important facts about healthful eating. Metropolitan will gladly send you enlarged copies of this advertisement—suitable for use on your bulletin boards.

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OF
PITTSBURGH**

Think of
**PEOPLES
FIRST**



Pittsburgh has excellent transportation facilities. Combined rail and water borne tonnage is greater than that of any other industrial area in the world. Five Class I railroads . . . three navigable rivers connecting with the 12,000 mile Mississippi system. Leading airlines augment Pittsburgh transportation, and will soon use one of the nation's largest airports.

Your Pittsburgh business has ready access to markets, raw materials, fuel. And your banking needs can be served competently through Peoples First National and its 15 completely staffed offices. Your inquiries on Pittsburgh and Peoples First National facilities will be welcomed.

PEOPLES FIRST NATIONAL

BANK & TRUST COMPANY

Pittsburgh 30, Pa.

Member F.D.I.C.

ALUMINUM BUILDING (continued from page 42)



6 Open joints are troweled with cement to prepare the wall for final finishing



7 At the same time, panels are joined by rods fitted into slots; gaps are cemented



8 Wall is then ready for an inner vapor seal of aluminum foil. Foil acts as a moisture barrier; after it is smoothed out, plaster is applied (TURN TO PAGE 46)

Fulton scorned the wind



ROBERT FULTON put the steam engine to work on water. His single interest, the steamboat, freed transportation from the whims of the wind.

We, too, have a single interest . . . advanced instrumentation for industry. Instruments and controls that maintain the flow of production. If any process or machine can be measured, controlled or guided by an instrument . . . we'd like to tackle the job!

No matter what you make . . . or whatever your process may be . . . we believe we can help you do it better, faster and at lower cost.

Brown takes over the entire responsibility . . . from engineering and application advice to installation and service, so long as our instruments are at work for you.

If you or your people would like to know what Brown is doing for continuous processing in your field, we'll be glad to show you.

MINNEAPOLIS-HONEYWELL REGULATOR CO.

BROWN INSTRUMENTS DIVISION

Philadelphia 44, Pa.

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WORLD'S
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FOR ADVANCED
INSTRUMENTATION
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INSTRUMENTS

Do you have these problems with paper?

- .. disintegrates when wet
- .. grease penetrates
- .. doesn't protect your product
- .. imparts odors
- .. won't stand boiling
- .. not enough sales appeal



Patapar can help you

Unlike ordinary papers, Patapar Vegetable Parchment has high wet-strength; it resists grease; it is boil-proof. There are types of Patapar with other unique qualities, too. For example: If you want a type that is completely odorless and tasteless we can give it to you. One type of Patapar is air tight. Another permits "breathing." In all there are 179 different types of Patapar—each one endowed with special characteristics to meet special requirements.

Does hundreds of jobs

As a food wrapper Patapar gives protection and sales appeal to products like butter, bacon, cheese, fish, poultry, celery, oleomargarine, frozen foods. It is used for milk can gaskets, ham boiler liners. Hospitals use Patapar as an inexpensive replacement material for linens. Lamp shades and greeting cards are made with it. Modeling clay is packaged in it. These are a few typical uses.

Patapar is furnished in sheets or rolls in all sizes and shapes—plain or colorfully printed with brand names and attractive designs.

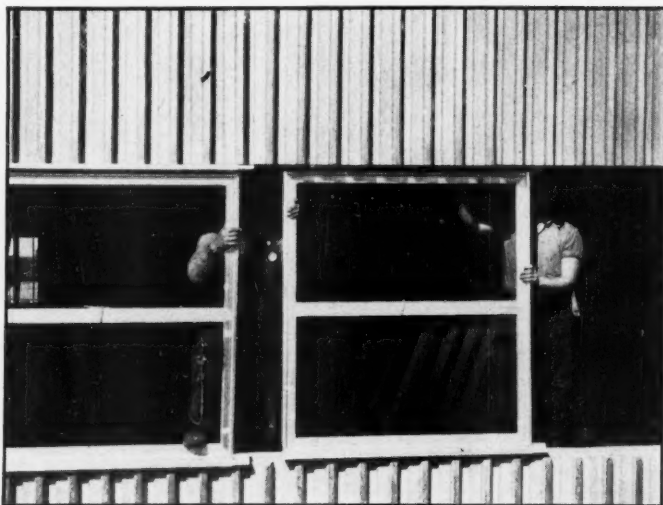
Business men: For more information write on your business letterhead for booklet B, "The Story of Patapar." We can be more helpful if you tell us the use of Patapar you have in mind.

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**HI-WET-STRENGTH,
GREASE-RESISTING PARCHMENT**

Paterson Parchment Paper Company
Bristol, Pennsylvania

West Coast Plant: 140 Bryant St., San Francisco 7
Sales Offices: New York, Chicago
Headquarters for Vegetable Parchment since 1885

ALUMINUM BUILDING (continued from page 44)



9 Aluminum-framed windows slide easily into place between the aluminum panels

New Market for Aluminum?

Alcoa thinks there may be—in building construction. So company builds a pilot structure using castings, sheets, and extrusions to blaze the way for new uses.

Pilot runs aren't always made on products; you can make them on a building, too. That's what Aluminum Co. of America has been doing.

• **Prototype**—Last week Alcoa released details on its pilot structure—an office building in Davenport, Iowa. The building, which uses aluminum in practically every part of its construction, is the forerunner of a 30-story skyscraper in Pittsburgh, Pa. The company will start breaking ground for the Pittsburgh building sometime next year.

Alcoa figures the Davenport experiment has been worth while on at least two counts: (1) The company has found out a lot about aluminum construction that it can apply in Pittsburgh; and (2) the pilot job may lead to more aluminum designing by other companies—and more sales for Alcoa.

• **Panel-Built**—The building is constructed around a conventional steel skeleton. It is 42 ft. by 220 ft., four stories high, and has a 42-ft. by 120-ft. one-story wing. Cast aluminum panels form the exterior wall. These panels are about 4 ft. wide, 7 ft. long; they are stiffened up and down by deep corrugations, and sideways by cross fins on the back. The cross fins have two other purposes: (1) They reinforce the panel against handling and erection stresses;

and (2) they are used to connect the panel to the structural steel frame.

Behind each of these panels is a 4-in. backup of "diacrete", a one-to-six mix of portland cement and diatomaceous earth, reinforced with wire. The diacrete panels are formed on-the-job in two standard sizes; they serve as insulators.

• **Construction Steps**—Workmen put up the walls of the building as soon as the concrete floors had hardened. Then they lowered the aluminum panels into place by hand and bolted them at the top and bottom to steel beams. Next the diacrete panels were set into position behind the aluminum panels. Finally an aluminum-foil vapor seal was placed over the inside of the panels and plaster was applied.

• **Sales Points**—Alcoa approached the Davenport building as strictly an experimental job. The company used it to test various techniques, and to try out different materials. So realistic construction costs couldn't be pinned down too accurately. But the company did bring out of the project some solid facts that should make good sales points for aluminum construction:

(1) Despite all the experimentation, the cost of the lightweight wall is less than \$5 a sq. ft.

(2) Usable floor space is increased—

without the sacrificing of insulation. (Wall thickness is about 8 in.; conventional masonry walls run to 18 in.)

(3) Outside scaffolding and rigging or derricks aren't needed to build the walls. Most materials can be conveyed inside the building. And that means lower insurance rates for the job.

(4) Erection time is less than for conventional construction. Cast anchors on the aluminum panels make it easy for a few men to move them into place. Then, too, the panels are in modular sections; they are delivered to the site ready for installation. Another time-saver is the fact that the diacrete panels can be poured on the job by using plywood forms.

• **Inside and Out**—The all-aluminum sheathing completely blankets the building, except for window and door openings. Doors, railings, window frames, marquee, and trim are also aluminum, as are elevator cabs, lighting fixtures, conduits, wainscoting, acoustical ceilings, and partitions. Aluminum foil serves as a moisture barrier. Even the dehumidifying equipment uses a form of aluminum: activated alumina.

• **Standing Ad**—Alcoa's building, designed by Harrison & Abramovitz, and built by George A. Fuller Co., both of New York, represents a new and radical departure from building precedent. Its walls, although low in weight, should satisfy most municipal building codes for fireproof, multistory construction. But its chief purpose, aside from serving as a proving ground for aluminum-building theory, is to promote all types of aluminum products. Alcoa's Pittsburgh building will be an even bigger three-dimensional advertisement.

PRODUCTION BRIEFS

How to design load-carrying aluminum structures is subject of handbook issued by Reynolds Metals Co. It also treats the conversion of existing structural designs from other materials to aluminum. Designers, engineers, architects, company officials can get the book without charge.

• **Metal rolls** covered by silicone rubber are being developed by Connecticut Hard Rubber Co. for materials-rolling processes. The New Haven (Conn.) company claims they have wide temperature resistance, are chemically inert, good insulators.

• **Montan wax**, formerly imported from Germany, is now made in the U.S. Lignite is washed with solvents which dissolve the wax, then the solvents are evaporated off. The wax is used for carbon paper, insulation, inks, leather dressings, and polishes.


ANOTHER TOUGH HAZARD PROBLEM

SOLVED BY

Battery-Powered

TRUCKS

AT W. J. BULLOCK, INC.




Battery-powered industrial truck charging smelting furnace. Wire screen protect operator.

Charge fiery brass smelting furnace . . .

Cut 2 hours from smelting cycle . . .

Save hot, fatiguing labor of 5 men.



An electric industrial truck is used as a furnace charger at the W. J. Bullock smelting and refining plant in Fairfield, Alabama. Flames leap out furnace door making a battery-powered truck mandatory. A ten-foot long ram-attachment inserts ton loads of scrap into furnace . . . a rotating head spills load directly into furnace. Labor of 5 men is saved, releasing them for other work. 2 hours cut from smelting cycle. Heat loss during loading greatly reduced.

A fleet of sturdy battery-powered trucks speeds all handling in the Bullock plant. Trucks work 24 hours a day,

seven days a week with practically no down time. Move bales, drums, slabs, pigs, ingots into or out of boxcars, production and storage. Provide fireproof motive power with utmost dependability for round-the-clock handling throughout all operations.

Another example of electric truck safety and sturdiness helping industry—while providing material handling at lowest cost per unit moved. This criterion, rather than initial investment, explains why so many industries prefer battery-powered trucks!

THE ELECTRIC INDUSTRIAL TRUCK ASSOCIATION
29-280 Forty-first Avenue, Long Island City 1, N. Y.



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FIRE OCCURS,
CAN YOU
PROVE YOUR LOSS?

Answer—

An appraisal before
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Write for leaflet "B".

**The AMERICAN
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Home Office: Milwaukee, Wis.

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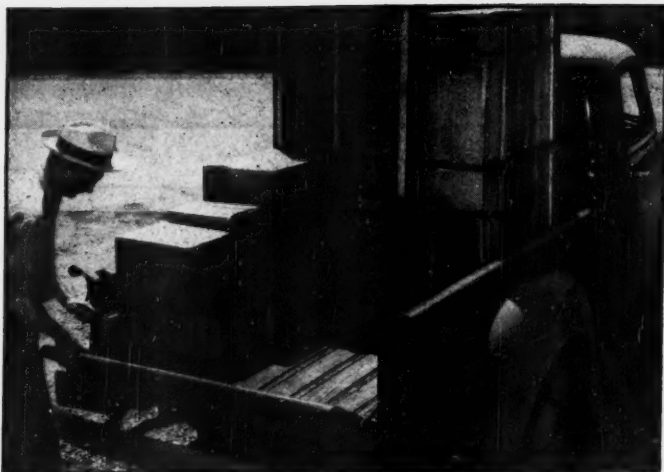
materials engineering ... what it means in selling your products!

Materials selection in the PRODUCT MANUFACTURING INDUSTRIES has become a highly specialized function performed by materials experts. These men must keep up-to-date on the properties of engineering materials, and the processing methods which change or improve these properties.

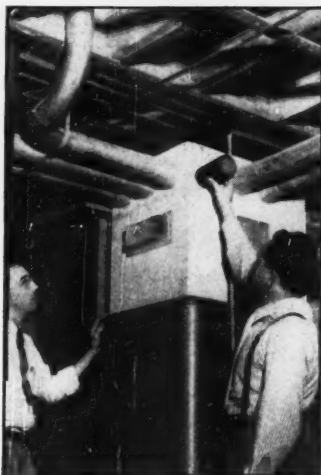
If you sell engineering materials, parts or finishes used in product manufacture, or equipment for changing or improving the properties of materials, you will want to tell your story to the 16,000 materials engineering men who read M & M regularly.



REYNOLD PUBLICATION
330 WEST 42ND ST., NEW YORK 18, N. Y.



ALL WRAPPED UP: Coleman Co.'s prefabricated heating system—complete with tubing, elbows, clamps, and warm-air furnace—is easy to handle, takes only a day to install



UNWRAPPED: Small tubes fan out from cellar furnace, carry heat upstairs to . . .



ROOM CABINETS, where high-speed hot air draws air from floor, discharges at top

Prefab Warm-Air System Cuts Costs

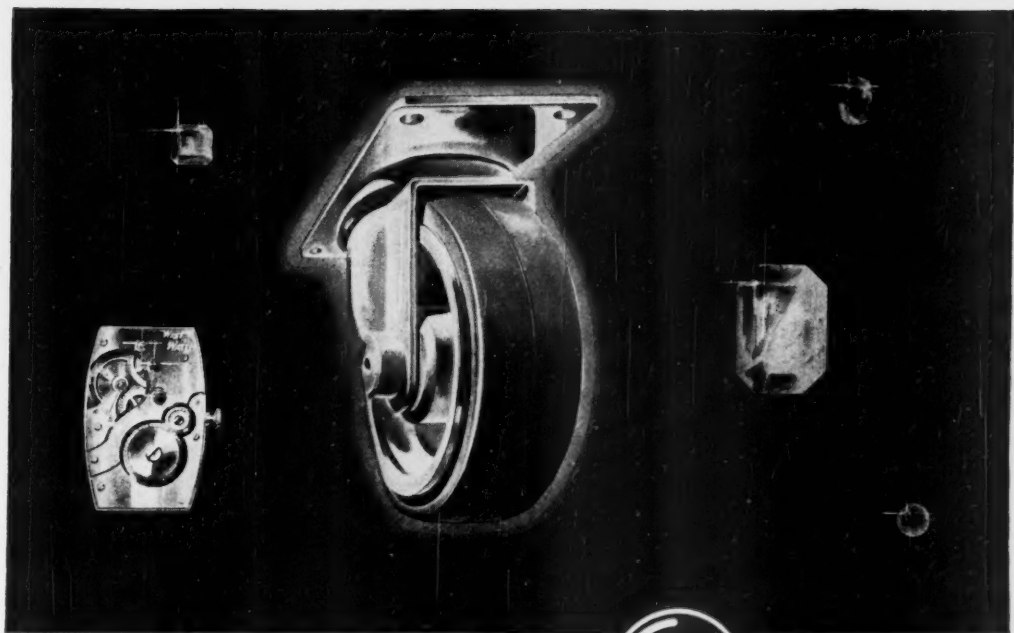
Prefabrication is trying its hand at warm-air heating. General Electric has come out with prefabricated wall ducts (BW—Feb. 26 '49, p. 62). Last week, Coleman Co., Wichita, Kan., unveiled its "Blend-Air" system to Chicago building contractors, told them it would save \$100 a house on the average job.

• **Package**—The whole system—including the oil- or gas-burning furnace—is a packaged job. Even the plenum chamber on top of the furnace, to which the hot-air pipes are connected, comes knocked down (top picture). Easy-to-use clamps hold the pipes together.

Flexible tubing and standard elbows enable the ducts to turn corners. A five-room installation can be made in one day, with hand tools, Coleman says.

• **Cost Cutter**—The system cuts costs because it uses small (3½-in. diameter), factory-engineered, sheet-metal tubes instead of hand-made, custom-fitted ducts. And hand-made ducts represent 50% to 75% of the cost of a warm-air installation, says W. C. Coleman, company founder.

The tubes are small enough to fit inside the average wall. But a small duct presents a problem in getting the air



The Watch-Like Precision of Casters Saves You Money--4 Ways

In department stores, industrial plants, railroad terminals, warehouses, hospitals, restaurants—whatever your business, whatever your materials-handling problems—the watch-like precision quality of Colson casters can save you money.



- ① Saves man-hours by moving materials faster, more easily.
- ② Pays big dividends in reduced maintenance trouble and expense, because Colson casters are engineered and built by craftsmen—for years of trouble-free service.
- ③ Prevents breakage of fragile products by smooth handling over all floor surfaces.
- ④ Puts an end to floor damage because the load-floating, roll-easy movement of Colson casters won't scratch or mar your floors.

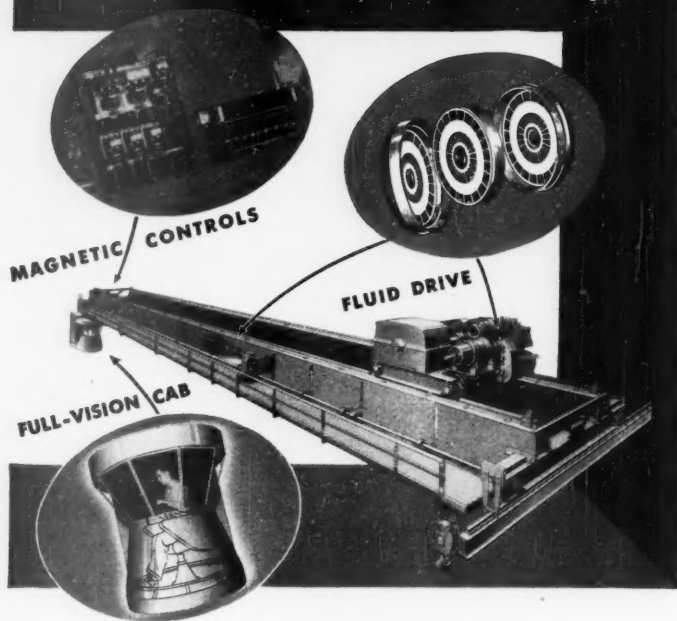
Whether you're interested in one set of smooth quiet casters or a fleet of new trucks, Colson engineers can help you select or design equipment that will answer your problem—exactly. *Write us, or consult the yellow pages of your phone book (under "Casters" or "Trucks: Industrial") for the Colson office nearest you.*

THE COLSON CORPORATION

ELYRIA, OHIO

CASTERS • INDUSTRIAL TRUCKS AND PLATFORMS • LIFT-JACK SYSTEMS • BICYCLES • CHILDREN'S VEHICLES
WHEEL CHAIRS • WHEEL STRETCHERS • INHALATORS • TRAY TRUCKS • DISH TRUCKS • INSTRUMENT TABLES

What's New in Cranes?



Whiting engineers are continually improving crane design to take advantage of the newest developments of mechanical and electrical engineering. For example, today's Whiting Cranes embody the features illustrated above:

FLUID DRIVE to eliminate shock to motors and drive mechanism, reducing both motor and maintenance costs.

FULL-VISION CAB that permits the operator to see in all directions, including straight down.

MAGNETIC CONTROLS to get rid of bulky, awkward drum controllers, and eliminate high voltage in the cab.

For a more complete description of these advanced Whiting Crane features, write for Crane Unit 71, Whiting Corporation, 15661 Lathrop Ave., Harvey, Ill.

Offices in Chicago, Cincinnati, Detroit, Los Angeles, New York, Philadelphia, Pittsburgh, and St. Louis. Agents in other principal cities. Canadian Subsidiary: Whiting Corporation Canada Ltd., Toronto, Ontario. Export Department: 30 Church St., New York 7, N. Y.

BUILDERS OF QUALITY CRANES

FOR OVER 60 YEARS

Dependable • Quiet-Running • Durable

WHITING Overhead **CRANES**
Traveling

into the room. That's because it moves the warmed air at high velocities, and you don't want a blast of hot air shot into a room.

• **Nozzle Trick**—So Coleman engineers put a nozzle at the end of each tube. The nozzle opens into a metal cabinet (picture, right, page 48) in the room to be heated. The cabinet then serves as a mixing chamber. As the hot air rushes through the nozzle, it sucks cool air from the room through grilles in the cabinet. The cool air mixes with the hot, slows down the speed—from 1,100 ft. a minute to 500 ft. The mixed air then passes out through a second, higher set of grilles. Thus, each room has its own recirculating system.

• **For Old or New**—Blend-Air works in old or new houses. The unit can be placed in the basement, with pipes running beneath the floor (picture, left, page 48), or in a ground-floor utility room with supply ducts in the attic.

ROADS IN COLOR

"Turn right on the yellow road, then left on the green one" may soon be typical traffic directions in the British Isles. Reason: The Road Research Laboratory of Britain's Dept. of Scientific and Industrial Research is producing asphalt in light colors—cream, yellow, red, green, and blue. Cost isn't much more than ordinary asphalt.

Up to now, colored asphalt has been available in dark colors only, has required expensive "albino" bitumens. The British get the color now by using a translucent, resinous binder called "cados," and mixing it with a clean, white aggregate. The result is a fine, white asphalt that can be pigmented, using 2% to 4% pigmenting material (like titanium oxide for a creamy white).

Tests have yet to be made in traffic, but laboratory trials are satisfactory—for everyone except, presumably, the color-blind driver.

STANFORD TV CONVERTER

It's a pretty good bet that commercial television will soon move into the ultra-high-frequency band to make more room for new stations (BW-June 4 '49, p24). Owners of present sets, which receive very-high-frequency channels only, will then need a converter.

Stanford Research Institute scientists have come up with one device: a gadget that converts the UHF signals into VHF signals. The researchers say their gadget doesn't call for any modification of present receivers. And it can be built into future receivers. The converter is designed in three types: (1) with a fixed frequency of 530 megacycles; (2) tuneable over the 475-675 mc. range; and (3) an experimental model that is tuneable over the 475-890 mc. band.

New and Old Industries have **CONFIDENCE** in the Middle South

New plants going up! Old plants expanding! Here's double proof of the confidence that industry has in the future of **THE MIDDLE SOUTH**.

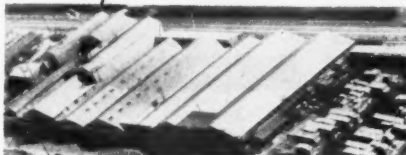
Throughout **THE MIDDLE SOUTH**—in Arkansas, in Louisiana, in Mississippi—industrial development is on the march. You can see it in the rising steel structures. You can hear it in the clank of concrete mixers. Every construction dollar is a vote of confidence in **THE MIDDLE SOUTH** and its advantages for healthy industrial growth.

These favorable factors—which identify **THE MIDDLE SOUTH** as an area of economic unity—include: resources of natural gas and oil and coal, ample raw materials from farms and forests, interconnected transport facilities, electric power, a strategic location on the trade routes joining midcontinental United States with the rest of the world, a climate favorable to work and recreation, dependable labor, growing foreign and domestic markets, and economical access to numerous supply sources.

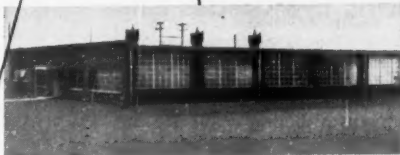
These three plants are among the many old and new industries which have backed up their confidence in **THE MIDDLE SOUTH** by making recent investments in this region. **THE MIDDLE SOUTH** may offer a world of opportunity for your industry, too. Investigate the advantages in this area.



IN ARKANSAS—DIAMOND ALKALI COMPANY at Pine Bluff operates a large electrolytic plant under lease from the government for the manufacture of chlorine and caustic using salt from the area as its principal raw material. Access to raw material and dependable labor supply helped attract this new industry to **THE MIDDLE SOUTH**.



IN LOUISIANA—ASBESTONE CORPORATION, New Orleans, expanded in 1948, manufactures asbestos-cement roofing and siding for distribution in the United States and Latin America. An increasing demand for the product and the excellent **MIDDLE SOUTH** transport facilities to domestic and foreign markets were major reasons for the expansion of this plant.



IN MISSISSIPPI—TALON, INC., recently acquired a new plant in Morton to manufacture the famous TALON zippers. This firm's decision to locate in **THE MIDDLE SOUTH** was to serve the requirements of its southern customers better and to improve its position in this strategic area.

For further information write

THE MIDDLE SOUTH

Area Office, 211 INTERNATIONAL TRADE MART, New Orleans, Louisiana or any of these business managed, tax paying electric and gas service companies:

ARKANSAS POWER & LIGHT COMPANY
Pine Bluff, Ark.

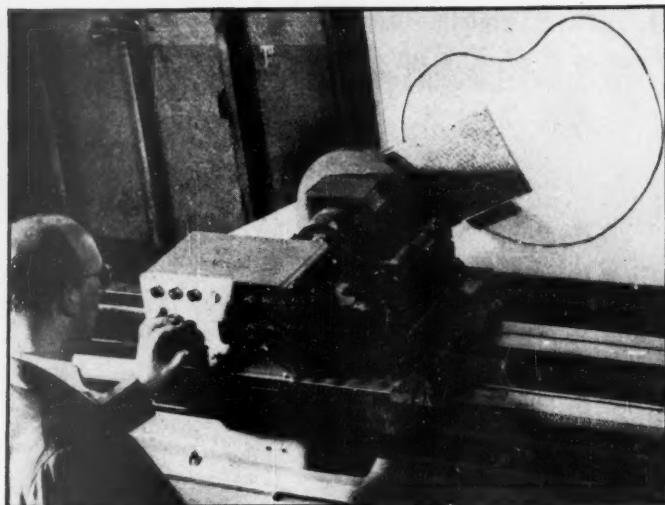
MISSISSIPPI POWER & LIGHT COMPANY
Jackson 113, Miss.

LOUISIANA POWER & LIGHT COMPANY
New Orleans 14, La.

NEW ORLEANS PUBLIC SERVICE INC.
New Orleans 9, La.



NEW PRODUCTS



Electric Eye Guides Lathe Electronically

Contour-following system, developed by General Electric Co., follows the lines of a drawing with an electric eye and guides a machine tool to cut out metal parts according to the drawing. Purpose of the electronic instrument is to simplify the manufacture of irregularly shaped metal parts, such as cams, that are hard to make by hand-controlled machining.

The electric eye moving over the drawing sends electric impulses into a servo-mechanism that controls the lead screws of the machine tool. So, as the eye shifts, the cutting tool shifts, too. The drawing is an etched metal plate made from an original blueprint.

The contour follower scans the line of a drawing through a low-power microscope at speeds up to 6 in. a min. When the line is in the center of the microscope's field of vision, the electric eye sends out an impulse at a frequency of 60 cycles a second. A 26-tube electronic circuit picks up this signal. If the microscope moves away from a line in the drawing, the electronic circuit instantly sets mechanical guides into motion to bring the microscope and electric eye back into position. G.E. engineers say that the instrument does not vary from a drawn line by more than three-thousandths of an inch. It can follow a loop with a diameter as small as 0.06 in. A set of change gears provides a range of reduction ratios between drawing and finished part from 3.75-1 to 60-1. This way, relative dimensions of a basic shape can be distorted in the drawing by small alterations on the control panel of the follower. Because of this range of reduc-

tion ratio, the error in finished pieces can be less than 0.001 in.

The power required to operate the equipment is 220 v., 60 cycles, at about 20 amp. The system will operate satisfactorily within a temperature range from 65°F to 104°F.

• Availability: immediate.

Specialized Rivet Assembly

Cherry Rivet Co. has a fastening device that you can use to assemble heavy sheets of metal when you can get at only one side of the work. The blind-thread rivets can be installed by a single operator; they have an average strength of more than 60,000 p.s.i.

Three pieces make up the rivet assembly: a threaded fastener, a bearing-like sleeve, and a threaded nut. The complete assembly is inserted into holes in the metal sheets you want to join. The threaded nut extends beyond the hole on the blind side of the sheets.

Special adapters, attached to a power tool, are used to install the rivets. The adapter fits around the sleeve and holds it in a fixed position. A rotating bit within the adapter fits a notch in the head of the threaded fastener. When you push the power tool against the rivet assembly, the tool turns the fastener. This draws the threaded nut on the end of the fastener over the sleeve. The nut butts against the blind side of the metal sheets and expands. This causes the sheets to sandwich together. A clutch on the tool disconnects the driving bit when the job is finished.

The blind-thread rivets are available

in 1/4-in., 1/2-in., and 3/4-in. diameters. A different adapter is in stock for each rivet diameter. The nut and sleeve materials are made of mild steel; and the fastener is heat-treated steel. The company address: Winston St. at Wall, Los Angeles 13.

• Availability: four weeks.

Strip Fasteners

Tinnerman Products, Inc., Cleveland, Ohio, is now making its Speed Nut fastener in strips and coils. The fasteners are designed for bolts used in the assembly of home appliances.

The Speed Nuts, made of pretempered spring steel, come in strips of about 35. They are held together by a narrow band that breaks in two under slight pressure. The user hangs onto the strip while he drives in the bolt; then he breaks off the nut and leaves it fastened permanently. The company says the application saves up to 40% on costs, plus a considerable saving in material over the company's single Speed Nut.

The tandem Speed Nuts are produced in sizes ranging from 4-40 to 4-20. Ordinary power hand tools are used in their installation. The cost is slightly higher than either the single Speed Nut or the conventional type nut and lock washer.

• Availability: immediate.



Midget Ball Bearing

An annular ball bearing with an outside diameter of less than 1/4 in. is said to be the smallest ever produced commercially. The 3-mm. model, manufactured by Landis & Gyr, Inc., is an exact miniature of the conventional single-row ball bearing.

The company believes that its tiny bearing (Type R-073) will find new bearing uses in instruments, miniature motors, and testing devices.

The bearing has a one piece raceway,

a separator, and a double shield. The shields are designed for dust protection. The separator assures uniform load distribution while reducing friction.

Components of the bearing are made of chrome steel, ground on all working surfaces. The bearing is designed to take radial and thrust loads. Company address: 104 Fifth Ave., New York 11.

• Availability: immediate.



Easy-Carry Welder

Greyhound A.C. Arc Welder Corp., 606 Johnson Ave., Brooklyn 6, has a completely portable spot welder that weighs about 25 lb. It's said to be sturdy enough to handle heavy-duty industrial welding jobs.

The spot weld is made by two pincer-like electrodes that project from the unit. Finger pressure on a spring attachment on the handle of the welder opens and closes the electrodes. There is no chance of arcing burning the tips when the welder is not in use.

The tool welds metals up to $\frac{1}{4}$ in. thick. It will handle stainless steel and mild steel, as well as 15 gage galvanized sheeting.

The unit comes in two models for either 110-v. or 220-v. operation. The welding arms are available in three interchangeable lengths. Replaceable alloy tips are stocked in an assortment of shapes to meet specific job needs.

• Availability: immediate.

P. S.

Metal fins, attached to the front windows of an automobile, direct outside air down to the floor. This gives increased ventilation throughout lower part of the car. The fins will fit on most makes of cars, says the manufacturer, New Canaan Engineering Co., P. O. Box 216, New Canaan, Conn.

Liquid cleaner and polish for automobiles, furniture, chromium finishes, and glass windshields brings surfaces to a high luster. Made by Plasticlear Products, Inc., 29 Mills St., Malden, Mass., it is called Plasticlear.



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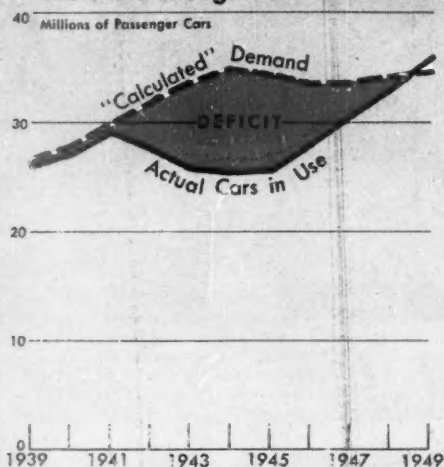
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BUSINESS WEEK REPORTS TO EXECUTIVES ON— The Automobile Market



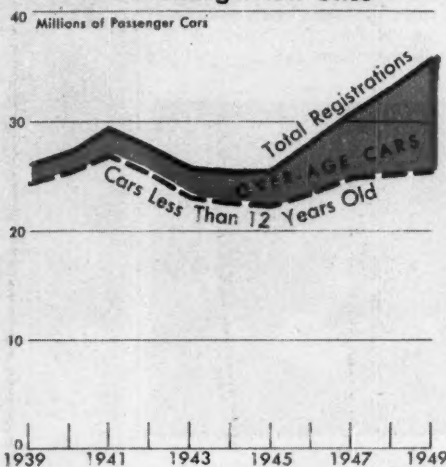
There Are Enough Cars Now ...



Data: U. S. Public Roads Administration; Dept. of Commerce.

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... But Not Enough New Ones



Data: U. S. Public Roads Administration; R. L. Polk & Company; BUSINESS WEEK.

Market for Autos Shifts its Base

Where the market for cars is coming from, and what it's going to take to sell it—now that the postwar boom is over.

The postwar market for automobiles has reached a turning point. The all-out sellers' market is definitely over.

But that doesn't mean that the market is going to collapse soon:

A VAST POTENTIAL DEMAND EXISTS in the need for replacement of over-age cars now on the road. But this market will have to be sold. One reason: The four-year wartime gap in production has disrupted the normal structure of the used-car market.

CONSUMERS STILL PLAN TO BUY a lot of cars—both new and used—and have the money to do it. This is shown by the results of the Federal Reserve Board's latest survey of consumer finances (BW—Jun. 18 '49, p19).

MANUFACTURERS AND DEALERS CAN CUT prices quite a bit, in many cases, and still make a profit. Furthermore, the industry has not yet started "selling" cars with anything like its prewar effort.

I. No More Sellers' Market

The day of consumer clamor for "any car at any price" has passed. This can be shown in several ways.

Clearer indication is the decline in the premium on new-used cars. There is no longer any surcharge on most higher-priced cars. And even on the popular-priced models, it has practically disappeared (chart, page 60).

• **\$750 Premium**—In the summer of 1947, free-market prices on these cars were running about \$750 above the dealers' list price of around \$1,450. (These are averages for Chevrolet, Ford, and Plymouth. The free market is the average for auction prices on new-used cars, as reported in *Automotive News*. The dealers' list is the average of delivered prices recommended by manufacturers, plus 10% for accessories, plus \$50 for freight.)

In June, free-market prices ranged between \$2,200 and \$2,300. That maintained the differential over list prices, which were then about \$1,500.

In that month, however, Ford—first of the Big Three to introduce a new model—raised prices about \$150 above previous list. This was the first of a series of step-ups, which raised average prices, eventually, to something over \$1,800. A few small cuts recently have brought the figure back to just about \$1,800.

And during the same period, free-market prices were dropping steadily; they reached a range of \$1,800 to \$1,900 in mid-May. Thus, the difference between the free-market price and the list price has shrunk from more than \$700 to less than \$100. And on some high-priced and less-popular makes, new-used cars—or even new cars—can often be had below list.

• **More Light Cars**—There is another indication of the inflated character of the postwar market—and of how it has changed.

In the last three of the prewar years, Fords, Chevrolets, and Plymouths made up about 54% of all passenger cars produced. But in the past two years they have accounted for only about 45% of output. This shift away from economy cars toward luxury cars reflected the demand for new autos regardless of price.

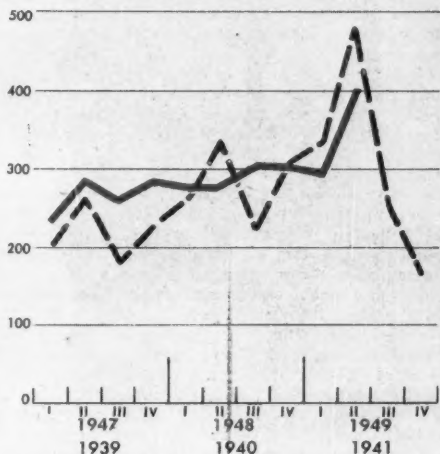
And today a shift in output is noticeable throughout the industry—from higher-priced to lower-priced models.

• **"Normal" Supply**—This shift in demand reflects the fact that there is now a "normal" number of cars on the road. The Dept. of Commerce has calculated the number of cars that today's economy needs. It bases its estimate on the 20-year peace time experience between 1922 and 1941—considering both long-term growth and the effect of the level of general business. It figures that the

Prewar Seasonal Patterns Seem to Be Reappearing . . .

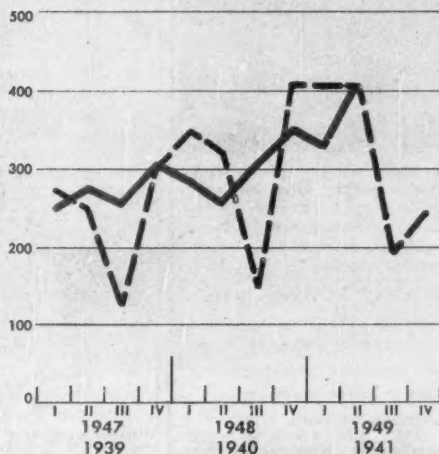
... IN SALES

Thousands of Cars Quarterly



... IN OUTPUT

Thousands of Cars Quarterly



Data: R. L. Polk & Company; Automobile Manufacturers Assn., BUSINESS WEEK.

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need today is for between 34-million and 35-million passenger cars. And the actual number of cars in use today is a little more than that (left-hand chart, above).

In short, we seem to have just about enough cars on the road today to satisfy over-all demand. That conclusion is valid even if we question the precise accuracy of the Commerce estimates. Even if its figure is off by 1-million or 2-million, the situation today is very different from what it was at the end of the war—when the number of passenger cars in use was more than 8-million below estimated demand.

II. Over-Age Cars

It is obvious, then, that the postwar backlog of demand for more cars has been filled.

But a big potential backlog still exists: for replacement cars. Total passenger car registrations in the U.S. stood at 254-million at the war's end. Today it is around 35-million. The reason it grew so fast was that few old cars were scrapped. The number of cars that were junked in the past four years was less than half of the 8-million that would normally have been scrapped in a similar length of time. Furthermore, scrappage was similarly low during the war years.

• **Jalopies**—So the number of over-age cars has grown rapidly (right-hand chart, page 54). Before the war, the average life of an automobile was esti-

mated at 10 years. But even if we take 12 years as the proper scrappage age today—because of the restricted wartime use of most cars and the better quality of modern cars—there are still about 10-million over-age autos on the road. Before the war there were hardly more than 2-million more than 12 years old.

Moreover, there are almost 5-million cars today between 10 and 12 years old, compared with under 3-million before the war. In 1941, only about 5-million of the 28-million cars then in use were over 10 years old. Today there are nearly 15-million over that age.

• **Replacement Market**—It's easy to see what this replacement market could mean to the industry. Under normal conditions, current replacement and annual growth would call for from 24-million to 3-million new cars a year between them. But the industry's production for domestic sale today is running between 4-million and 5-million cars a year.

Demand for that much output can be sustained only by denting the replacement backlog—the amount by which actual replacement needs today exceed normal replacement demand. Theoretically, the current level of output could be sustained for several more years—if, in that time, we were to replace all autos over 12 years old. There is serious doubt, however, that that can be done.

• **Trading Up**—The problem is that the owner of a 12-year-old car seldom buys a brand-new car to replace it. Neither,

for that matter, does the owner of an 8-year-old car. These people normally "trade up"—by replacing their cars with younger used cars. To junk an over-age car and replace it on the road with a new one involves a long series of transactions.

It is generally estimated in the industry that there are only 5-million to 10-million regular new-car buyers in the country. The lower figure represents prewar years of depressed business; the other, high-level activity, as at present. Wartime savings may have increased the upper limit somewhat; some estimates place the number of new-car buyers today as high as 12-million. But all of the other car-owners normally trade up—because they can't afford to pay the difference between the value of their used cars and the cost of new ones.

III. Price Distortions

But the very four-year wartime gap in output that created the tremendous replacement demand has also created distortions in the pattern of used-car prices—distortions that may block this trading-up process.

Today, used 1948 models are selling more than \$400 below new 1949's. This is almost the characteristic 25% prewar markdown for one year of use. But the 1949 model is a slightly bigger and more expensive car; so, adjusted for quality, the real differential is probably less than 20%.

The further markdown for 1947 cars

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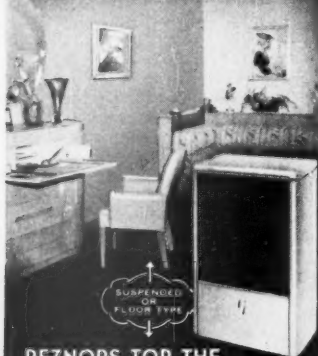
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today, as compared with 1948's, is just over 10%; before the war, a second year's use cut the value by about 15%. And for 1946's, the discount today is also about 10%, compared with almost 15% for the prewar normal.

A much bigger contrast with prewar experience can be seen in the older models. A 1941 car today sells for more than a third of the free-market price of a 1949 model. Before the war, an eight-year-old car would bring only 10% to 15% of the cost of a new one.

• **Helps, Hinders**—This whole price structure reflects the shortage of recent-model used cars—due mostly to the four-year hiatus in production. As compared with the prewar price structure, it helps owners of almost-new cars to trade in on new ones, but it hinders owners of old cars from trading up.

Here are a couple of examples of how the comparison works out (all dollar figures in both prewar and present-day illustrations are based, for simplicity, on today's new-car price levels):

• **1936 Owner**—Take the owner of a 13-year-old car who would like to replace it with an 8-year-old model. Today he must pay around \$750 for a 1941 Chevrolet, Ford, or Plymouth. He may get something more than junk value for his 1936 model. But the cost of replacement is still well over \$500.

If the prewar used-car price structure remained today, he would have to pay no more than \$250 for an eight-year-old car (10% to 15% of the cost of a new car). So, even if he had to junk his old car and get nothing for it, the cash outlay would be much less.

• **1941 Owner**—Now take the owner of an eight-year-old car. In prewar days, he might be thinking of trading up to a five-year-old model. But today that would mean a 1944. And there ain't no such animal. The nearest he can come to his normal replacement is a 1946. He has to pay about \$1,200 for a 1946 Chevrolet, Ford, or Plymouth; against that he gets perhaps a \$600 trade-in allowance on his 1941. Net cost: \$600.

Under the prewar price structure, he could have bought his five-year-old model for \$600; less maybe \$250 for his eight-year-old car. Net cost: \$350.

• **More Expensive**—Thus, in both cases, it is more expensive to trade up today than it would have been under the prewar price structure (given the same new-car price). And, perhaps even more important, the postwar price structure is proportionately more expensive for replacement of older cars.

In contrast, the owner of a postwar car is favored by today's prices. Reason: 1946, 1947, and 1948 cars are selling closer to 1949-model prices than they would have under the prewar price structure.

• **Replacement Problem**—Thus, the whole problem of selling the replace-

ment market boils down to this: Can old-car owners afford the higher cost of trading up?

To be sure, many people can now afford to pay more for a car than they could before the war. Hourly wage rates have gone up in about the same proportion as new-car prices, and annual earnings of many workers have increased by a lot more than that. There has been a marked shift from low-paid lines (like farming) to high-wage jobs. And there has also been a big increase in the number of families with more than one breadwinner. So a lot of old-car owners may be able to afford the cost of trading up. But will there be enough?

• **New Car Buyers**—Another question: Who is going to buy the new cars? Probably not many of the owners of prewar cars will be interested. It is unlikely that very many of the 10-million owners of cars over 12 years of age will have anything like \$1,800 or more for a new auto. For these are the people who, under the prewar price structure, could expect to trade up for only \$250 to \$300. Even the owner of a 1941 car today must pay a net after trade-in of about \$1,200 for a new car; under the prewar price structure he would have had to pay only \$500 to trade up, even at today's price levels.

That leaves the owners of postwar cars—the 10-million to 12-million people that the industry looks on as new-car buyers under today's economic conditions. It's true that their trade-in allowances today are closer to new-car prices than they would have been under prewar conditions. But that's only one factor.

• **Three-year Cycle**—Before the war, the industry believed these new-car buyers worked on a three-year cycle. That is, they would buy new cars when their old ones were, on the average, three years old. And there aren't many cars around today that are three years old.

Since the end of the war, the industry has sold about 11-million to domestic consumers. But only about 2-million were made and sold in 1946; about 3-million in 1947; about 3½-million in 1948; and something over 2-million in the first half of 1949. So, relatively, few owners of postwar cars are likely to want to trade in soon.

Furthermore, many of these three-year-cycle buyers found during the war that a car would give good service for more than three years. That factor could cut the number of potential buyers still further.

• **New Customers**—So new-car demand from this source may drop this year—though a new backlog may assert itself in a year or two, when the 1947's and 1948's get to be three or four years old. That means that the industry may have to tap the replacement market directly for new customers if output is to hold at

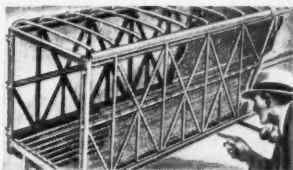


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the present high level. And that could mean that a further reduction in the entire structure of car prices—new and used—may be required to keep car sales moving.

This conclusion is strengthened by the fact that upper-income markets have been virtually saturated. Last year, over half of the new cars were bought by families with an annual income of over \$5,000. That means that almost 25% of the top-income group bought new cars in 1948 alone.

Perhaps two-thirds or more of this income group has already bought a new car since the war ended. And, obviously, not everyone in this group is a potential car-buyer. This points up the increased importance of selling new cars to the lower-income families, who have not bought heavily up to now.

IV. Consumers' Buying Plans

The recent Federal Reserve Board survey of consumer finances confirms both of these main conclusions: (1) that there is still a big backlog of demand, but (2) that price is an increasingly important factor.

At the beginning of this year, according to the survey, 3.6-million people definitely planned to buy new cars. This compares with 3.2-million who had such plans the year before—and with 3.1-million who actually bought new cars in 1948. (Remember that many new cars—perhaps around 15%—are bought by business or government fleets. These sales aren't included in the survey.)

• "Possibly"—In addition, the survey found a large additional backlog of people who said they would "probably" or "possibly" buy new cars. But it is here that prices are important. Last year there were almost as many people who said they were disappointed in their hopes of buying a car as there were people who did buy. And the reason most frequently given for that disappointment was that new-car prices were too high.

In each of the postwar years, according to the survey, consumers started out expecting to pay a lot less for new cars than they actually did pay in the end. Last year, for instance, consumers who planned to buy new cars expected to spend an average of \$1,860. They ended up spending \$2,130. Much the same story has been true of would-be purchasers of used cars—except that the gap between plans and reality, as found by the surveys, was proportionately larger.

V. Lower Prices?

If the industry finds that it must cut prices to keep sales high, there are several cushions it can fall back on.

One is the shift from higher-priced

to lower-priced models—which has already started.

Another, still in the future, lies in the introduction of stripped-down models—less chromium, fewer gadgets than the de luxe cars now being sold. This was a widely used practice before the war.

• **Margins**—But there is also a cushion in the present price structure of new cars—and that's where most of the give will probably have to be found.

Dealer margins are still large dollar-wise. Before the war, new cars were sold below list, and attractive trade-in values were given on used cars. Present small charges over list price will disappear in a fully competitive market. Also, regular margins could return half-way to their prewar proportion without interfering with automobile distribution as an economic activity. All this could well shave \$100-\$150 off present prices.

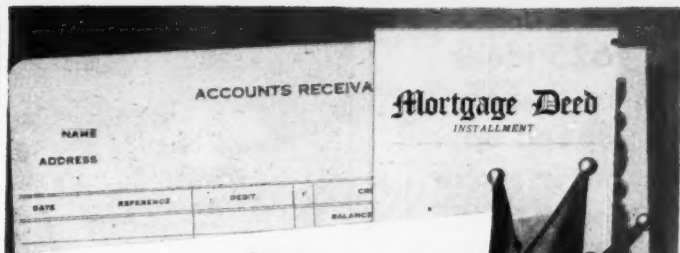
• **Costs**—Second, manufacturers' prices might come down due to reduced costs—not in wages, but in materials and, possibly, productivity. Expensive conversion deals in steel are no longer necessary. Zinc, lead, and copper have already fallen in price, along with textiles and other supplies. Moreover, a smoother flow of supplies conceivably could improve output per man-hour. (This issue was raised in the River Rouge strike. Workers complained that Ford attempted to make up for lags in the assembly line caused by lack of supplies by speeding assemblies at other times.)

• **Profits**—In the first quarter of 1949 General Motors apparently earned about \$230 per car, before taxes. Since its most popular cars were commanding and continue to command slight premiums over list prices, General Motors will presumably be under less pressure to cut prices than will a number of its competitors. Some of these competitors have been making much less profit per car. Hence the \$230 profit per car figure of General Motors probably indicates the outside limit of price cuts that could come out of profits.

Of course, a fourth round of wage increases might cut this outside limit further. A dime-an-hour increase in auto wage rates, for example, would increase the cost per car an average of about \$40.

All in all, it is possible that a fully competitive market could bring down actual prices on popular makes something well over \$200.

• **Effect of Cuts**—It is worth noting, however, that small price cuts often induce a waiting mood among consumers—and thus slow sales rather than speed them. That's part of the reason why various studies of automobile demand suggest that, in general, the rate of buy-



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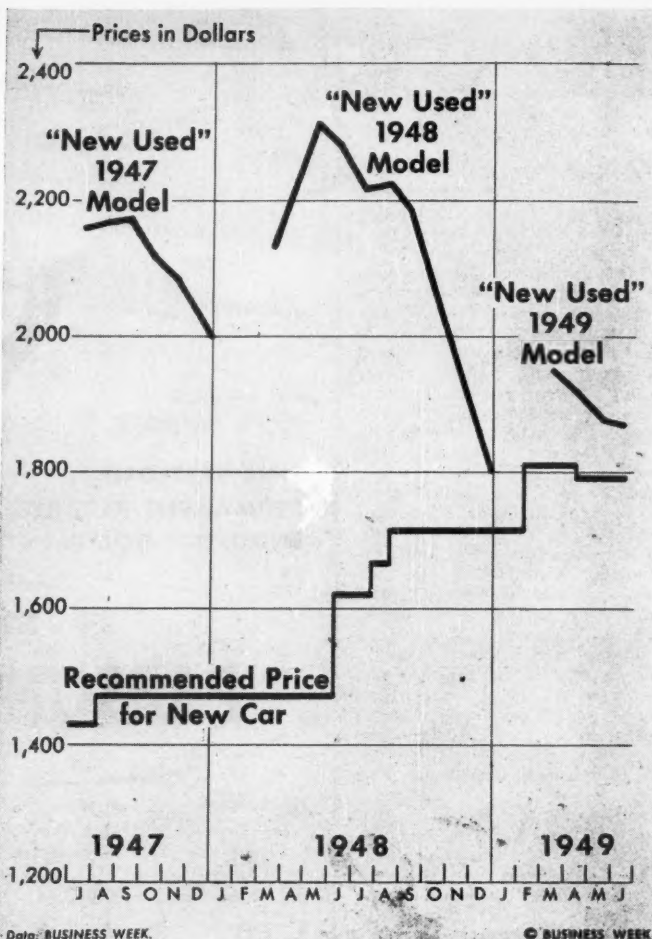
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BIG DROP IN THE PREMIUM that new used cars commanded over list prices is a major indication that the sellers' market for autos is over. All prices in the chart are composites for Chevrolet, Ford, and Plymouth. The recommended prices for new cars are the advertised delivered prices, plus 10% for accessories and \$50 for freight

ing does not respond markedly to price cuts.

Nevertheless, analysis of the structure of the used-car market, and the facts turned up by FRB's survey, both indicate that substantial price readjustments might well loosen up an entire second layer of demand for new passenger cars.

• **Credit**—In theory, easier credit terms could put new life into the market for cars. They would make it easier for prospective buyers of both used and new cars. And there's no limit on credit terms that can be offered today, now that Regulation W is dead (BW-Jul. 2 '49, p. 15).

In practice, however, the terms that the industry has been offering under

Regulation W are the most generous that the finance companies will permit. They were the standard terms during the war, and the big finance companies feel that it would be unwise to relax them now. So don't look for easier credit to take the place of lower prices as a sales stimulant in the automotive field.

VI. Pattern—Production, Sales

The basic change in the automobile business—from a sellers' market to a market that has to be sold—is being masked right now by a summer upsurge in buying. But, in a sense, that upsurge is itself a signpost of the change, for it is an indication that seasonal

fluctuations are on their way back (chart, page 55).

• **Production Pattern**—Postwar auto output has followed no seasonal pattern. Because of the intensity of demand, the amount of monthly output has been determined by the availability of steel and other supplies.

Before the war, August was always a low point in production, because of annual model changeovers. April was usually the high point. By quarters, the third quarter usually accounted for about 15% of the year's total. The other three usually ran even at about 28%, although the second quarter was sometimes slightly higher.

• **Sales Pattern**—In sales, as in output, there was no noticeable seasonal pattern after the war. Sales remained pretty stable from month to month through most of 1948. What fluctuations there were were caused by ups and downs in output; there was no fluctuation in demand.

Before the war, the second quarter was always the peak for sales, with May the high month. The third quarter was the low point for sales, as it was for output.


Chief difference between the sales and output patterns was that sales rose more than output in the second quarter, and output patterns was that sales rose put in the six months after the model changeover (the fourth and first quarters) usually ran ahead of sales. During this period, stocks built up in dealers' hands, to be sold off in the peak sales periods before the next model changeover.

• **Postwar Shift**—The last few months of 1948 marked the first postwar shift toward a seasonal pattern. Output rose to a new peak, but fourth-quarter sales held just about level with the third quarter. In January and February, sales dropped to just about the same level as in the same months the year before, while output ran well ahead of 1948.

Then, in March, sales spurted—just as they used to do prewar. In the months since, sales have been ahead of production, and the relatively small stocks accumulated in dealers' hands during the winter are being sold off. Second-quarter sales, for the first time, showed a spurt somewhat akin to the prewar seasonal pattern—supplied both from higher output and from accumulated stocks.

• **Drop Coming**—The significant point in all this is that sales are no longer following output step by step. If this tendency continues, it is likely that sales will drop off during the third quarter, after the peak driving season, and will continue depressed through the winter. And, if peak production continues, stocks will again begin to pile up on dealers' floors.

A return to anything like the pre-

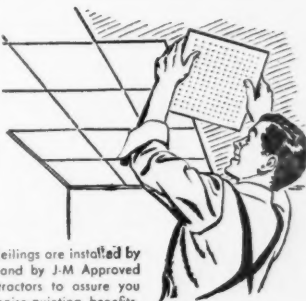
*Can't a man have
a minute's **QUIET**
around here?* 

*We'll give you quiet
all day long!...
with **FIBRETONE****

SEND for the brochure that tells you about noise-quieting Fibretone, "the ceiling with a hundred thousand noise traps"

• Tells how Fibretone acoustical panels, with their ingenious noise traps, help you get rid of irritating, unnecessary noise—noise that reduces personal efficiency in business and industry. Ask for Fibretone brochure. Johns-Manville, Dept. BW-7, Box 290, New York 16, N. Y.

*Reg. U. S. Pat. Off.



J-M Fibretone Ceilings are installed by Johns-Manville and by J-M Approved Acoustical Contractors to assure you the utmost in noise-quieting benefits.



Johns-Manville

Greater Service to Fork-Truck Users

Greater Opportunities
for Men Who Sell Them —

Clark Dealer Plan Achieves Both



WITH sales of its fork-lift trucks and industrial towing tractors exceeding all expectations, and with its position of production and engineering leadership firmly rooted in rich, productive soil, Clark Equipment Company, in its 30th year as a builder of materials-handling machines, has found it desirable to establish a nation-wide organization of independent franchised dealers as exclusive distributors of the products of its Industrial Truck Division.

THIS is indeed a far cry from 1939 when the entire output of the Industrial Truck Division was sold with ease by a handful of men!



TODAY's volume is twenty times that of 1939; and the Company's stature—financial and engineering—is more than twenty times as great as in 1939. A considerable number of the '39 machines are in daily service, and many older machines are in regular operation after 20 and 25 years. The conviction is natural that 30 years hence many '49 machines will still be "on the job" alongside the new output of 1979. There will be no "orphans" bearing the name "Clark."

TO KEEP PACE with increasing demands, and to deliver the broad and competent service which Industry expects from Clark, the Company has chosen this plan of selling through independent dealers as a sound and logical evolution. Until the middle of 1948, approximately one-third of Clark's Industrial Truck Division representatives were on an independent dealer basis. It is expected that by the end of

1949 the nation-wide dealer organization will be complete.



HEADING up the dealerships or actively participating in them are key men of Clark's erstwhile factory-branch sales offices—factory-trained men, tested and proved as capable materials-handling counselors. These men share with Clark management the conviction that they can deliver, under the new plan, a broader and more valuable service to their customers and to all users of mechanized materials-handling; that they face broader, deeper vistas of opportunities which ambitious men so earnestly desire—opportunities for independence, for building greater earnings by their own efforts, for achieving prestige and leadership in their communities.



ANOTHER influence which furthered the plan is the fact that Clark management historically has been engineers and manufacturers. By decentralizing marketing activities, Clark can intensify its emphasis on development of better materials-handling machines and methods—to the end that Clark products shall achieve even higher excellence at lower cost, shall become still more valuable to industrial users and to the dealers who serve them.

THROUGH your Clark dealer, all the advantages of Clark engineering, integrated production and matchless experience are quickly available to you. He is fully qualified to make an unbiased appraisal of your materials-handling operations, and to recommend the type of machine that will serve you most efficiently at lowest cost. It's "good business" to CONSULT CLARK.

CLARK EQUIPMENT COMPANY

INDUSTRIAL TRUCK DIVISION

BATTLE CREEK 42, MICHIGAN

OTHER PLANTS—BUCHANAN • JACKSON • BERRIEN SPRINGS, MICHIGAN

REPRESENTATIVES IN PRINCIPAL CITIES THROUGHOUT THE WORLD

AUTHORIZED CLARK DEALERS

ALABAMA: BIRMINGHAM

*M-H EQUIPMENT COMPANY
845 LOMB AVENUE

ARIZONA: PHOENIX

ROBERT H. BRAUN COMPANY
743 GRAND AVENUE

ARKANSAS: LITTLE ROCK

FRED J. VANDENMARK COMPANY
208 EAST MARKAM STREET

CALIFORNIA: FRESNO 1

ROBERT H. BRAUN COMPANY
505 MASON BUILDING

LOS ANGELES 23

*ROBERT H. BRAUN COMPANY
3008 EAST OLYMPIC BLVD.

OAKLAND 3

*GLEN L. CODMAN COMPANY
10521 PEARMAIN STREET

SAN DIEGO

ROBERT H. BRAUN COMPANY
3872 FIFTH AVENUE

STOCKTON

GLEN L. CODMAN COMPANY
409 BELDING BUILDING

COLORADO: DENVER 2

*J. N. MEADE

420 U. S. NATIONAL BANK

Service: FORK LIFT TRUCK SERVICE

2855 WEST 8TH AVENUE

CONNECTICUT: NEW HAVEN

*C. E. REUTER CORPORATION
66 AMITY ROAD

FLORIDA: TAMPA

CLARK EQUIPMENT COMPANY
1145 ELLAMAE STREET

ILLINOIS: CHICAGO 4

*MODERN HANDLING EQUIP., INC.

310 SOUTH MICHIGAN AVENUE

(Service: Cook County)

LIFT TRUCK SERVICE COMPANY
6919 SOUTH HALSTED STREET

INDIANA: INDIANAPOLIS 5

*W. A. MARSCHKE & SONS

1121 E. 46TH STREET

SOUTH BEND 14

*MATERIALS HANDLING EQUIP. CO. OF

SOUTH BEND, IND.

2625 SOUTH MICHIGAN STREET

IOWA: DAVENPORT

*BIG RIVER EQUIPMENT CO.

1344 WEST THIRD STREET

DES MOINES

*BIG RIVER EQUIPMENT CO.

914 GRAND AVENUE, ROOM 255

KANSAS: KANSAS CITY

Sales and Service:

(SEE KANSAS CITY, MISSOURI)

LOUISIANA: NEW ORLEANS

T. G. FRAZEE

910 CARONDELET BLDG.

MAINE: PORTLAND

BRODIE INDUSTRIAL TRUCKS, INC.

(CONTACT MALDEN, MASS.)

MARYLAND: BALTIMORE

FALLSWAY SPRING & EQUIPMENT CO.

CORNER FALLSWAY & LEXINGTON

MASSACHUSETTS: BOSTON (MALDEN 48)

*BRODIE INDUSTRIAL TRUCKS, INC.

50 COMMERCIAL STREET, MALDEN 48

MICHIGAN: BATTLE CREEK

CLARK EQUIPMENT COMPANY

INDUSTRIAL TRUCK DIV. PLANT

DETROIT 2

*CLARK EQUIPMENT COMPANY

6520 CASS AVENUE

Service: INDUSTRIAL TRUCK SERVICE, INC.

8815 HARPER AVENUE

MINNESOTA: MINNEAPOLIS 2

*MATERIAL HANDLING ENGINEERS

225 SOUTH 5TH STREET, ROOM 201

Service: SMITH-DUNN COMPANY, INC.

2301 UNIVERSITY AVENUE, S. E.

MISSOURI: KANSAS CITY 6

*CLARK EQUIPMENT COMPANY

1009 BALTIMORE AVENUE

Service:

LIFT TRUCK SERVICE & SUPPLY

NORTHWEST 15TH AND MCGEE STREETS

ST. LOUIS 8

*MATERIALS HANDLING EQUIPMENT CORP.

3820 WASHINGTON BLVD.

Service:

FORK LIFT TRUCK SERVICE CO.

511 CHANNING STREET

AUTHORIZED CLARK DEALERS

NEW JERSEY: JERSEY CITY

*JERSEY INDUSTRIAL TRUCKS, INC.
34 EXCHANGE PLACE

Service:

BOND INDUSTRIAL MAINTENANCE CO.
51 CLARKSON STREET AT GREENWICH
NEW YORK 14, NEW YORK

NEW YORK: BUFFALO

*BRODIE INDUSTRIAL TRUCKS INC.
1450 MICHIGAN AVENUE

NEW YORK 6

*BOND INDUSTRIAL EQUIPMENT CO.
165 BROADWAY, ROOM 2200 (OFFICE)

Service and Display Room:

51 CLARKSON STREET AT GREENWICH
NEW YORK 14—also
289 BOND STREET, BROOKLYN 31

SYRACUSE

BRODIE INDUSTRIAL TRUCKS INC.
712 STATE TOWER BLDG.

ALBANY (WATERVLIET)

*INDUSTRIAL TRUCK SALES, INC.
BROADWAY AT 25TH, WATERVLIET

NORTH CAROLINA: GREENSBORO

Service Outlet only:

INDUSTRIAL TRUCK SERVICE CORP.
629 SOUTH SPRING STREET

OHIO: CINCINNATI

ROBERT C. YOUNG, P. O. BOX 96
CLEVELAND

CLARK EQUIPMENT COMPANY
522 ROCKEFELLER BLDG.

TOLEDO 10

PERCIVAL L. REYNOLDS, 2558 FULTON STREET

OKLAHOMA: TULSA

ARST EQUIPMENT COMPANY
34 NORTH MADISON

OREGON: EUGENE

PRESTON FALLER COMPANY
891 TAYLOR STREET

PORTLAND 5

PRESTON FALLER COMPANY
1220 S. W. MORRISON STREET

PENNSYLVANIA: PHILADELPHIA 8

*CLARK EQUIPMENT COMPANY
401 NORTH BROAD STREET

Service:

PHILADELPHIA ENGINE REBUILDERS, INC.
330 WEST QUEENS LANE

PITTSBURGH

*MATERIAL HANDLING INCORPORATED
319 THIRD AVENUE

SOUTH DAKOTA: SIOUX FALLS

CENTURY EQUIPMENT & SUPPLY CO.
22 WEST 7TH STREET

TENNESSEE: MEMPHIS 3

*FRED J. VANDEMARK COMPANY
1110 UNION AVENUE

TEXAS: DALLAS

*T. G. FRAZEE
1012 FIRST NATIONAL BANK BLDG.

Service:

TRUCK EQUIPMENT COMPANY
2409 COMMERCE STREET

HOUSTON

*T. G. FRAZEE, 810 PETROLEUM BLDG.

UTAH: SALT LAKE CITY

A. J. ISAACSEN, JR.
45 SOUTH 3RD WEST STREET

VIRGINIA: NORFOLK

*MCLEAN-SHAND, INC.
955 WEST 21ST STREET

WASHINGTON: SEATTLE 1

*PRESTON FALLER COMPANY
1921 MINOR AVENUE

SPOKANE 9

PRESTON FALLER COMPANY
EAST 41 GRAY AVENUE

WISCONSIN: MILWAUKEE 2

*CLARK EQUIPMENT COMPANY
759 NORTH MILWAUKEE AVENUE, ROOM 623

Service:

LIFT TRUCK SERVICE CO.
5710 WEST NATIONAL AVENUE

DISTRICT OF COLUMBIA: WASHINGTON

CLARK EQUIPMENT COMPANY
927 15TH STREET N. W.

TERRITORY OF HAWAII: HONOLULU

*PRESSED STEEL CAR COMPANY
538 REED LANE, P. O. BOX 300

*Sales and Service.

For Names and Addresses o- Export Distributors, write
to: Export Division, Clark Equipment Co., Battle Creek,
Mich., U.S.A.

REPRINTS AVAILABLE

Single copies of this Report to Executives will be available in about three weeks to BUSINESS WEEK subscribers upon request without charge—to non-subscribers for 20¢. Additional copies will be billed at the rate of 20¢ apiece. On orders of 11 or more, quantity prices will be quoted on inquiry. Address orders for reprints to Readers Service Department, Business Week, 330 West 42nd Street, New York 18, N. Y.

war pattern, with cars moving to inventory during off-peak sales periods, will involve new and difficult financing problems for dealers. The capital structure of the companies that finance inventories has not been expanded anywhere near in proportion to the rise in car prices.

• **Sales Effort**—Thus, the decline in sales—if it comes—will inevitably force a letdown in production when inventory accumulation begins to get burdensome. The drop will probably come late this year, although it may be postponed until early next year. The timing and extent of the reduction—and the extent of the eventual recovery from it—will depend primarily on the industry's success in selling—which includes advertising, designing, and pricing as well as direct sales effort at the consumer level.

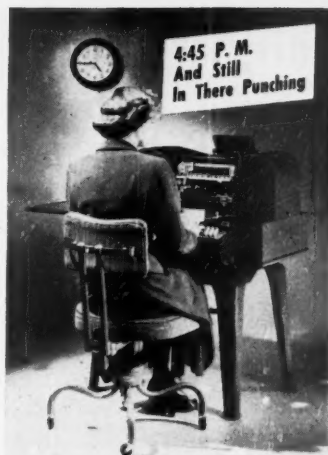
Steel Station Wagons Put Loggers Out of Work

The wooden station wagon has just about been finished off by those steel bodies prettied up to look like wood. The only real wood on them is a wooden slat or panel on the raised portions—which spells bad news for the auto industry's logging and sawing operations.

• **Ford-Ford Motor Co.** has already shut down one of its four plants on the upper peninsula of Michigan and will shut down two more later on. That will leave only the Iron Mountain plant, employing 2,400 people.

Iron Mountain does more than act as the company assembly point for station-wagon bodies. It also produces charcoal, saws lumber, and does other by-product jobs.

• **The Other Three**—The Big Bay plant closed down this month. Alberta and L'Anse will go down later. But the steel body wasn't the only thing that hastened their fate: The forests around the camps have been gradually cleared away.



WHY? Look at her posture—erect but relaxed, lungs able to breathe freely, weight evenly distributed. The secret is her individually-fitted Sturgis Posture Chair which automatically encourages the posture that discourages fatigue. This girl and her chair are a valuable pair—efficient production partners from 8:30 to 5:00.

Your Sturgis dealer will gladly demonstrate the relationship between proper girl-and-chair partnership and increased office production.



Ever wondered how much bad sitting might be costing you? If you have—or even if you haven't—it might be a good idea to read our booklet, "The High Cost of Sitting". No charge—no obligation—just good common sense.

A complete line of executive, stenographic, reception and institutional chairs—posture designed for the person and the purpose.

MAIL THIS COUPON NOW

The Sturgis Posture Chair Company
Sturgis, Michigan

Please send us a copy of your booklet, "The High Cost of Sitting".

NAME _____

COMPANY _____

TITLE _____

ADDRESS _____

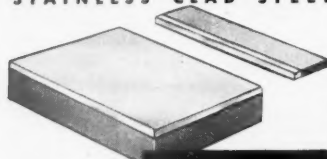
CITY _____ STATE _____



POSTURE CHAIR CO.
Sturgis, Michigan

NOW! SAVE MONEY

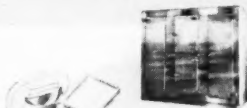
By Improving Your Products
with **PERMACLAD**
STAINLESS CLAD STEEL



(20%
Stainless Cladding)

Truly corrosion
resistant! Easily formed
or deep drawn!

Make your products more saleable with PERMACLAD—and immediately you reduce forming expenses and problems. For PERMACLAD is corrosion resistant, has excellent cold forming properties, and has better ductility than other material of equal corrosion resistance. Percentage of stainless inseparably welded to mild steel backing is usually 10% or 20%, but this can be increased or decreased to suit your requirements. Various products from deep freeze units and shower stalls to chemical vessels and automotive trim are now made of PERMACLAD. Be sure to get full details now. Write for free literature—Alan Wood Steel Co., Conshohocken, Penna., Dept. P-21.



The Finer the Finish
The Finer the Product
For the Finest Finish
Use

PERMACLAD



PERMACLAD
STAINLESS CLAD STEEL

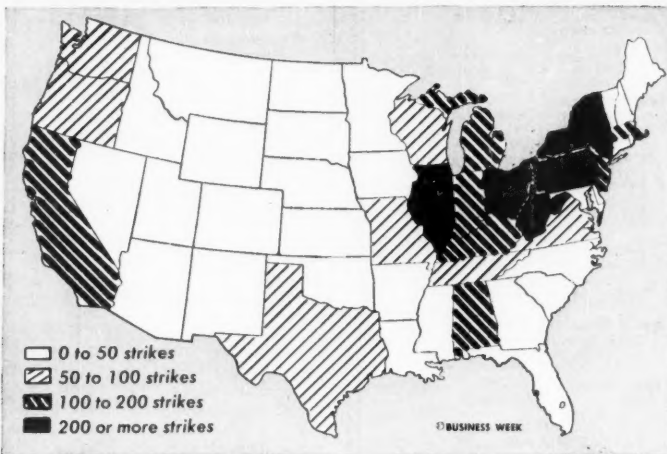
a product of

ALAN WOOD STEEL COMPANY
CONSHOHOCKEN, PA.

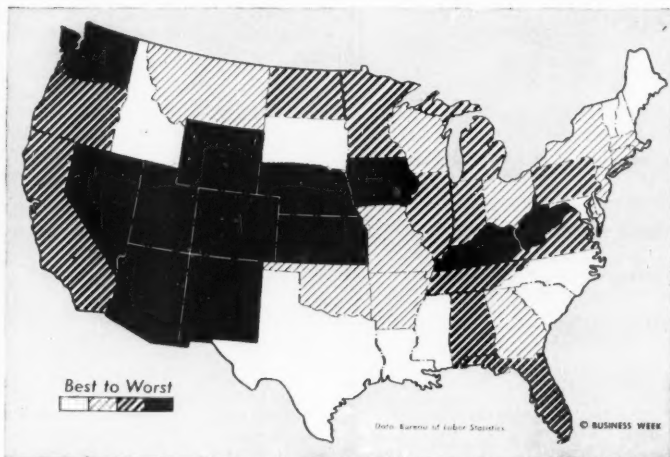
Other
Products:

AW Super Grip Abrasive Floor Plate.
AW Super-Diamond Floor Plate. Billets.
Plates, Sheets (Alloy and Special grades).

READERS REPORT:



NUMBER OF STRIKES by states in 1948, unadjusted to population or employment



HOW STATES FARED IN STRIKES last year, arranged relatively in terms of the ratio of man-days lost by strikes to average manufacturing employment

Gaging Where Strikes Hit Hardest

Sirs:

The map [top] and article entitled "Where Strikes Hit Hardest" [BW—May 28 '49, p108], while factually correct, gives, in my opinion, a very erroneous impression. To say that New York State has more strikes than any other State is just about the same as saying that New York State has more people than any other state and if that's news or worth dignifying so prominently in a business magazine, I'll eat it.

Stress is placed on the number of work

stoppages in each state. Of all available measures of the effects of strikes, this is the poorest in that it gives equal weight to a one-day strike involving 10 workers and a six-month strike involving 1,000 workers.

The most reliable indicator is the number of man-days lost. Even this measure is of questionable validity in comparing states unless it is related to the number of man-days available. . . .

We have compared New York with the other 10 leading industrial states

during the past five years. For this period as a whole and in each of three of the five years, New York lost fewer man-days per 10,000 man-days available than did any of the others. In each year, New York's record was better than that of the nation as a whole.

HAROLD KELLER

COMMISSIONER,
STATE DEPT. OF COMMERCE,
ALBANY, N. Y.

• Because all the statistics ideally needed are not available, it is impossible to give a flawless picture of the relative seriousness of the strike problem in all the 48 states.

Commissioner Keller is quite correct that our original map of the number of strikes by states shows a bias against the big industrial states. But the ideal comparison he suggests (the ratio of man-days lost to total man-days available) is impossible, because no state-by-state figures exist of total man-days.

To get closer to this approach with statistics that are available, we based a new (lower) map on the ratio of man-days lost to 1948 average manufacturing employment. But this shows a definite bias against states where nonmanufacturing employment is large in relation to manufacturing employment—especially if the nonmanufacturing industries are particularly susceptible to strikes (as in the case of mining).

Johns-Manville Flexboard

Sirs:

You printed an item to the effect that Johns-Manville is turning production of its Flexboard over to H. K. Metal Craft Mfg. Co. [BW—Jun. 11 '49, p72]. It further stated that output of the asbestos-fiber cement board will go to original-equipment manufacturers that contract for ready-cut stampings.

These statements are contrary to facts. The bulk of our Flexboard production is sold through retail or wholesale building-supply houses for new construction or remodeling work.

In addition, there is a growing market for parts made of Flexboard to be used in various types of manufactured products. Johns-Manville has made working arrangements with certain fabrication firms to meet the requirements of manufacturers who wish to incorporate Flexboard into their product. H. K. Metal Craft Mfg. Co. is one of these fabricating concerns. It is very enthusiastic about Asbestos Flexboard and we value its business highly. However, we would like to correct the impression that we have turned over our production of Flexboard to this firm.

REGINALD L. JOHNSON

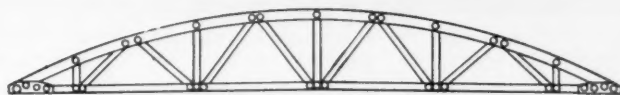
ADVERTISING MANAGER,
JOHNS-MANVILLE CORP.,
NEW YORK, N. Y.

RILCO WORKS WONDERS WITH WOOD

GLUED-LAMINATED WOOD STRUCTURAL MEMBERS

Take another look at wood... for, today, it's a brand new material. Rilco engineering has made it stronger, more versatile, easier to work with than ever before. Rilco leads in glued-laminated wood fabrication of light and heavy rafters, arches, and trusses—designed by specialized structural engineers. These pre-engineered framing

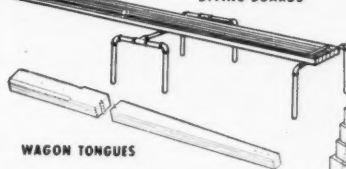
members build wide post-free buildings such as factory and production buildings, warehouses, auditoriums, etc. They come to the building site precisely fitted and drilled—ready to put up. They save hours and days of erection time. They make sturdy buildings that need no inside supporting posts... give you more flexible and usable space.



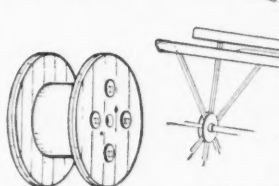
RILCO BOWSTRING TRUSS

WOOD PARTS FOR INDUSTRY

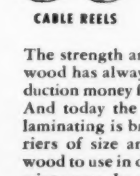
DIVING BOARDS



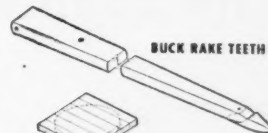
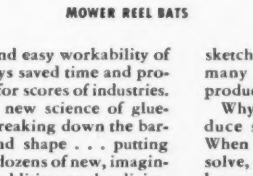
WAGON TONGUES



CABLE REELS

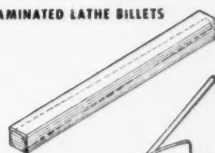


MOWER REEL BATS



BUCK RAKE TEETH

LAMINATED LATHE BILLETS



TRACKER BOARDS

The strength and easy workability of wood has always saved time and production money for scores of industries. And today the new science of glue-laminating is breaking down the barriers of size and shape... putting wood to use in dozens of new, imaginative ways. In addition to the diving boards, wagon tongues, cable reels and hay mower reel bats shown in the

sketches, Rilco is currently producing many other interesting and useful products for widely varied industries.

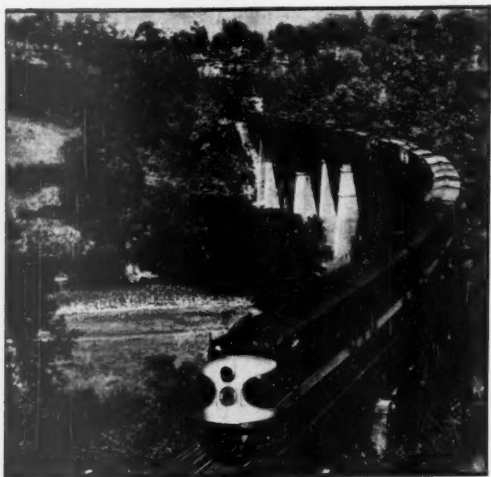
Why not let Rilco design and produce special wood parts for you? When you have a problem wood may solve, get in touch with Rilco. We know wood... we think wood... we work wonders with wood. Just drop a line to the address below.

RILCO

Laminated PRODUCTS, INC.

2604 FIRST NATIONAL BANK BUILDING
ST. PAUL 1, MINNESOTA

REGIONS

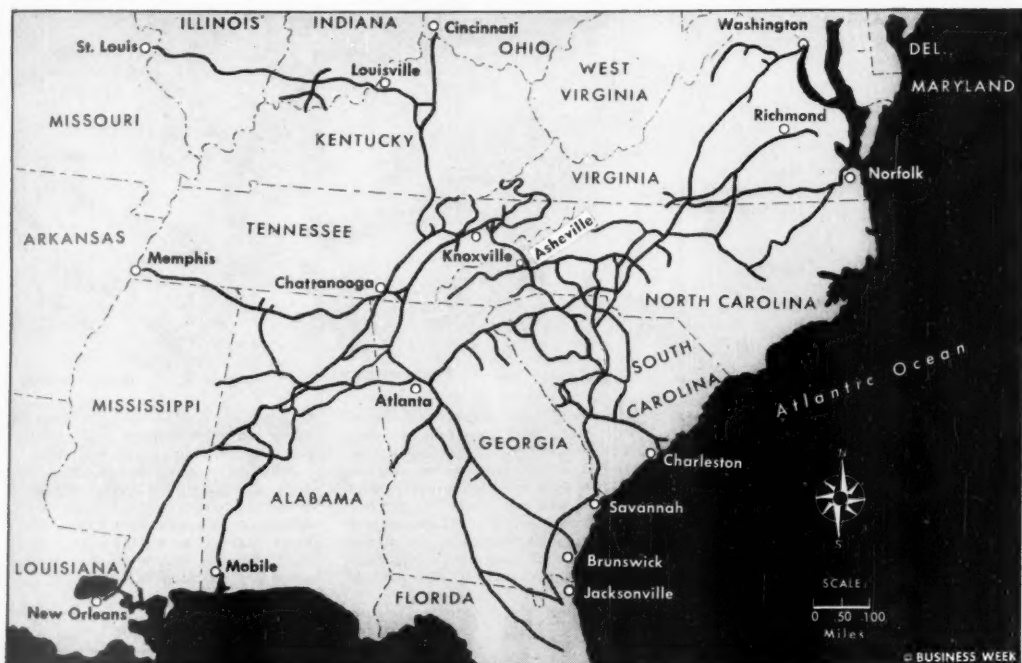


NEW DIESELS today haul 60% of the Southern's freight ton-miles. They help cut the railroad's operating costs as traffic falls off



NEW CUSTOMERS, such as the Cranston Print Works near Asheville, N. C., will mean new business. Also hopeful is fact that . . .

The Southern Railway Looks to the South



SOUTHERN'S NETWORK—8,000 miles of track—covers almost the entire South. Much more than most roads, it depends on a single region for its livelihood. That explains its joy as industrialization of the Southeast gives it more and diversified traffic



... OLDER CUSTOMERS, such as American Enka Corp., are expanding with the South

th —and Ahead

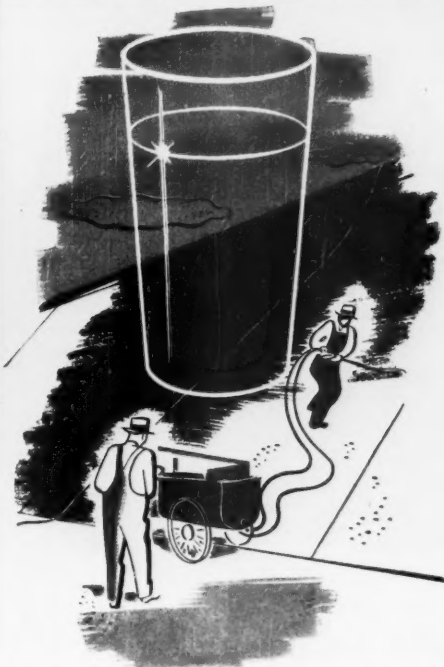
With traffic dropping, it celebrates a sober 55th year. But that doesn't shake its faith in the South's future.

All railroads know that in the long run they have to stand or fall with the regions they serve. Most railroads profess great faith in the future of their territories. But no railroad is more firmly and outspokenly convinced that its home lines run through God's country than the Southern Railway System, which believes implicitly in its own slogan: "Look Ahead—Look South."

This week, the Southern quietly marked its 55th anniversary as the largest carrier south of Mason and Dixon's line. In some respects it wasn't a particularly happy birthday. Traffic has dropped alarmingly in the first half of 1949. Truck competition is growing. Profits have shrunk sadly. And as president Ernest E. Norris (cover) told stockholders in an unusually glum moment: "Everywhere you go the industries are either slowing down or closing down, plus strikes and plus everything else."

• **The Next 55**—But gloom isn't a natural state of mind on the Southern. Practically every man from Norris on down to the last trackwalker is sure that the South and the Southern are just beginning to ride a vast and profitable

AN UNSEEN SERVICE TO INDUSTRY THROUGH WHICH EVERYONE BENEFITS



"The concrete reservoir in our town has just been leakproofed.

"Engineers tell us that the protection of this concrete basin with a tough NO-OX-ID waterproof coating will save the city millions of gallons of water that usually seep away through cracks and joints in the concrete. It will protect water, too. Assures folks of drinking water that's free from contamination and discoloration."


...The Traveler

MEMO: To Municipal and Industrial Water Supply Engineers. NO-OX-ID is easily applied to new or existing concrete basins, over the entire area or in local areas of seepage. This Dearborn discovery guards property, prevents waste of the finished water you've produced so efficiently.

Your
drinking
water
supply
protected
by
the
discovery
of
how
to
stop
seepage
and
waste
in
concrete
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wave of industrialization. The next 55 years, they confidently predict, are really going to be something.

If the next 55 years are anything like the last nine, they are, in fact, going to be very good indeed. The Southern has come a long way since prewar years.

From 1940 through 1948, it laid out nearly \$150-million in capital expenditures on its property. At the same time it cut its long-term debt by about \$90-million. And it boosted its net income from \$7.4-million in 1940 to \$19.2-million in 1948.

• **New Customers**—During the war, it acquired such new customers as the giant Reynolds Metals aluminum plant at Listerhill, Ala. In three years after the war, it saw 1,030 new factories, 326 additions to existing plants, and 132 large new warehouses spring up along its lines. As Norris jubilantly points out: "That's an average of better than one a day."

The growing industrialization of its territory shows up plainly—and profitably—in the Southern's traffic figures. In 1940, the system got only 37% of its freight revenue from "manufactures and miscellaneous." Today, it gets about 42%. In the same period, the percentage of freight revenue contributed by products of agriculture has slipped from 14.5% to 12.5%.

• **Direct Reflection**—As the Southern knows, and frequently advertises, its prosperity is a direct reflection of the growing prosperity of the South. Few other big railroads are as completely identified with the fortunes of a single region as is the Southern.

The 8,000 miles of the Southern System cover the area south of the Potomac and east of the Mississippi like a loosely thrown net. By one line or another, it gets into every southeastern state except West Virginia and serves every major southern city except Montgomery and Nashville.

The system's main artery runs from Washington, through Charlotte, to Atlanta. It was on this track, the "mighty rough road from Lynchburg to Danville," that Old 97 had her famous wreck in 1903. "She was coming down the grade doing 90 miles an hour"—a clear-cut case of an engineer breaking operating rules. Southern railroad men still say huffily.

• **Dense Network**—Another important line—the "Queen and Crescent Route"—runs from Cincinnati, through Chattanooga, to New Orleans. Other arms stretch westward to St. Louis and Memphis and eastward to most of the major ports on the southern Atlantic coast. At the heart of the system is a dense network of tracks covering the central Carolinas, Georgia, and Alabama.

One stretch of Southern track descended to it from the old South Carolina Canal & Rail Road Co., the first

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passed by the Congress of the
United States on July 2, 1862

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of learning as are related to agriculture
and the mechanic arts . . . in order to promote
the liberal and practical education of the
industrial classes in the several pursuits and
professions in life."

Alma Mater . . . U.S.A.



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road in the U.S. to run a steam locomotive in regular service. But the Southern System didn't emerge from the limbo of railroad manipulation until July 1, 1894.

• **J. P. Morgan**—In the late 1880's a group of speculators had put together a loose collection of some 30 different railroad companies, centering around the Richmond & West Point Terminal Co. The panic of 1893 knocked them off their feet, and J. P. Morgan undertook to pick up the pieces.

Financial men still rate Morgan's reorganization of the Richmond & West Point as a classic. Among other things, it involved 26 separate foreclosures. The Southern Railway Co., which emerged from the wreckage of its 30 predecessors, still has to comb remnants of the old companies out of its hair from time to time. For example, it has just turned loose a pre-1894 lease on a little stretch of line east of Danville, Va. But in the 55 years since Morgan reorganized it, the Southern has never had to go through the wringer again.

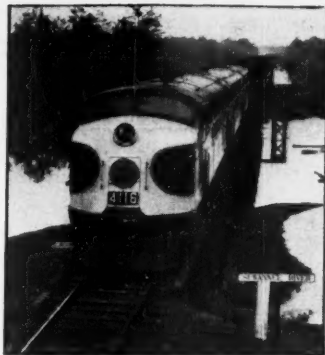
• **Look Ahead**—From the first, the Southern was an enthusiastic booster for the South. But for a long time, it didn't have much to work with. The South around 1900 was still mainly agricultural. Its big products—cotton, lumber, tobacco, and the like—were bulky and cheap, low-grade traffic for a railroad, and poor income producers for a region.

The South still hasn't caught up with the rest of the country in per capita income or industrial production (BW—Jun. 25 '49, p. 31). But it is coming along fast. And the modern trend toward decentralization of industry makes it look very much like the Promised Land from a business standpoint.

• **Big Plants**—Today, the Southern's territory includes a well diversified and growing list of industries. The big iron and steel development around Birmingham gives it a heavy industry. Atlanta boasts three automobile assembly plants—Ford, Chevrolet, and the new \$15-million General Motors plant at nearby Doraville. High Point, N. C., is a leading furniture center. And the central Carolinas are now the backbone of the country's textile industry.

Celanese Corp. is working on a \$40-million plant at Rock Hill, S. C. Wolverine Tube has just finished a \$10-million plant at Decatur, Ala., to turn out seamless copper tubing. Coosa River Newsprint Co. is putting some \$30-million into a mill at Coosa Pines, Ala. • **Buncombe County**—Most of the Southern's territory still isn't heavily industrialized by northern standards. But practically all of it is growing. And every town along the right of way nurses ambitious dreams of the future.

Take for example, Buncombe County, N. C. (which years ago contributed a very useful word to the English language



MAGNOLIAS and Spanish moss provide atmosphere on the Southern, but it's the industrial traffic that pays the bills

when its representative in Congress made an exceptionally longwinded speech). Twenty-five years ago, Asheville, the county seat, considered itself strictly a tourist town. It didn't encourage industry because it was afraid factories would turn away the vacationers.

• **Growth**—Today, Buncombe County has 125 manufacturing plants. They employ about 13,700 workers with an annual payroll of \$28.5-million.

A year or so ago, Asheville businessmen made up a kitty of \$150,000 and formed the Asheville Industrial Promotion Council, Inc. Its object is to get new business into the area and its hope is to boost employment by 50% in the next five years.

Asheville lies on a long plateau with the Blue Ridge Mountains on one side and the Smokies on the other. Plant sites within the city are limited, so most of the industries are scattered through the nearby country.

• **Paper and Rayon**—Champion Paper & Fibre Co. is one of the region's oldest industrial settlers. It moved into Canton, N. C., southwest of Asheville, in 1908. Its big paper mill employs 2,800 workers. Its inbound and outbound shipments provide the Southern with 135 cars of revenue freight a day.

American Enka Corp. built its huge rayon plant just outside Asheville in 1929 and has been expanding steadily ever since. When it decided to add a new mill after the war, it picked Lowland, Tenn., also on the Southern, for its site.

Ecusta Paper Corp. settled on the edge of Pisgah Forest, south of Asheville, in 1939. It makes most of the paper used in U.S. cigarettes. From Ecusta's standpoint, one of the big attractions of the Asheville area was a supply of water almost 100% pure chemically.

• **Textiles**—For Buncombe County as a whole, textiles are the biggest single in-

dustry. Some 21 textile plants employ about 6,800 workers and pay about \$14-million a year in wages.

The newest project in the Asheville area is the \$3.5-million finishing plant of the Cranston Print Works. When it is finished, it will employ about 500 workers in bleaching, dyeing, and printing textiles.

Naumkeag Steam Cotton Co., of Salem, Mass., also is planning to move into the Asheville area with an integrated plant to make its Pequot sheets and pillow cases. It has bought up a 200-acre plant site at Penrose, 30 miles south of the city.

The Southern happily points to Asheville's development as an example of how industry is spreading out through the South. The same sort of thing, it says, is happening in county after county all over its territory.

• **Revenue Gain**—Last year was the biggest in the Southern's history as far as freight revenue goes. Gross freight revenue hit \$207-million, against \$186-million in 1944, the wartime peak. Profits of \$19.2-million were the biggest that the system has made in any peacetime year since the 1920's. On a per-share basis, they figured out to \$12.52 on the common.

Dividends paid in 1948 were only \$3.25 a share. But in the final quarter, the company went on a \$4-a-year basis.

• **Darker Side**—This year, the picture isn't so rosy. In the first quarter, gross revenues dropped 11% under 1948. Income shrank to 75¢ a share. Industrialization isn't an unmixed blessing for a railroad. The more industry there is in a territory, the more sensitive traffic is to the swings of the business cycle.

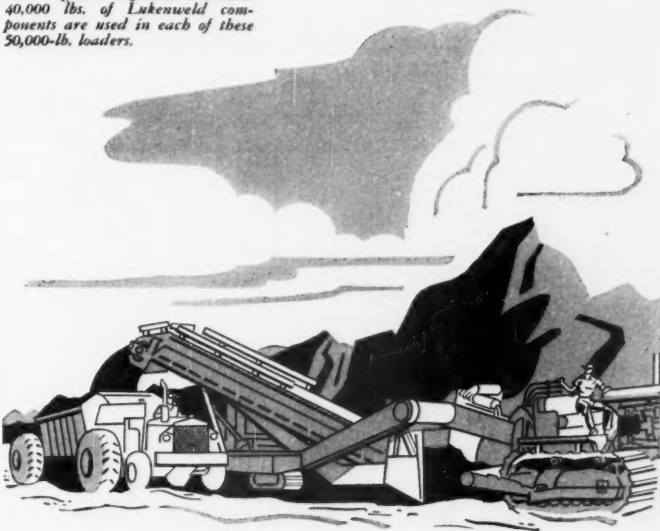
Wage costs are still going up. And the 40-hour week that takes effect Sept. 1 for nonoperating employees will cost the Southern about \$3-million a year.

• **Brighter Side**—On the other side of the ledger, the Southern hopes to get an increasing payoff from the improvements it has been making in its tracks and equipment. Dieselization, for instance, is one of its best bets.

Although the Southern is famous for its big steam locomotives with their green and white trim, it already has gone in heavily for diesels. It bought the first road-freight diesel made in the U. S. Today, only 10% of its freight locomotives are diesels, but they handle 60% of the system's gross freight ton-miles. About 19% of the passenger locomotives are diesels; they make 56% of the passenger train-miles.

And even in its bluest moments, the Southern never lets itself forget that its tracks run through the most promising piece of real estate in the nation. President Norris summed up its attitude pretty well when he once told the stockholders that the Southern "has the best territory in the country to work in."

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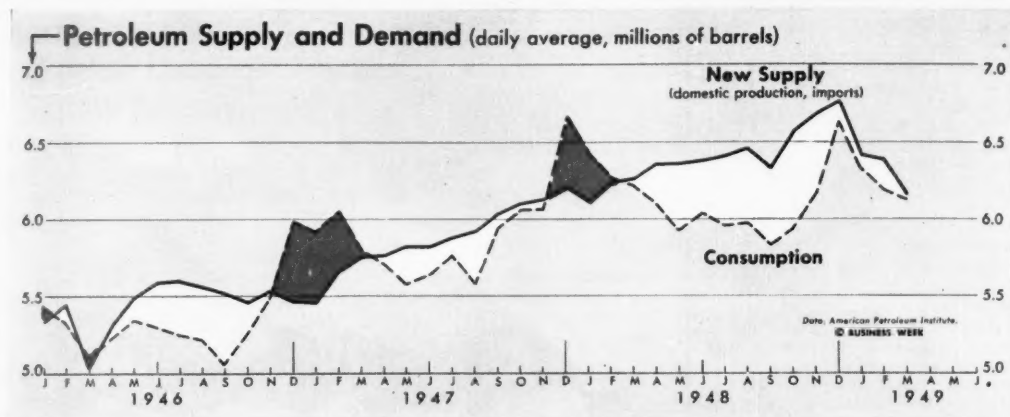
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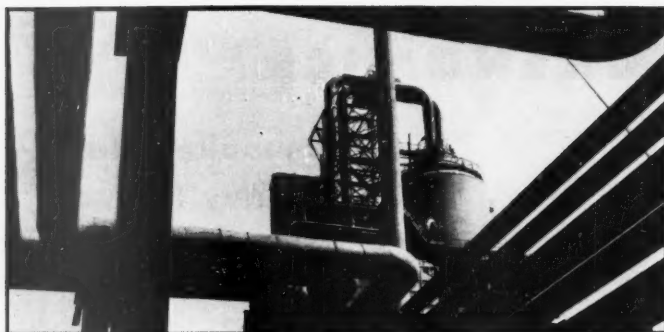


PETROLEUM



OIL DEMAND after the war rose faster than supply; winter peaks in 1946 and 1947 had to be met from stocks. Now . . .

Oil Industry Adjusts to Ample Supply



REFINERY expansion overtook peak demand last year. By that time . . .

Puzzling price movements in crude, fuel, and gasoline result from readjustment now that production has overtaken supply.

Crude-oil prices have engaged in some strange high-jinks in recent weeks. They have been going up, going down, standing still—all at the same time.

• **Questions Raised**—Businessmen are asking, "What goes on?"

WHY ARE crude-oil prices changing, and why the apparent lack of pattern.

HOW ARE these price changes likely to affect supply and costs?

WHAT HAPPENED to that "oil shortage" of a year ago, anyway?

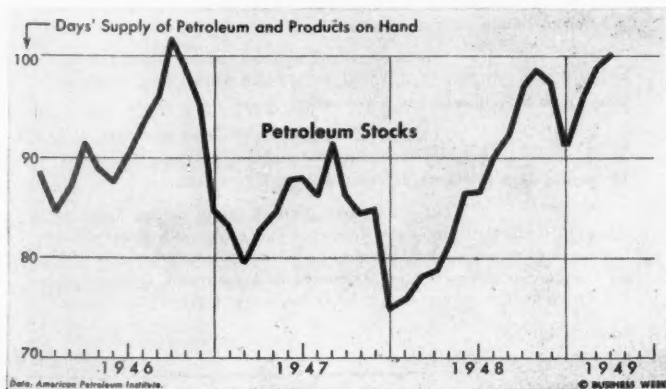
• **Basic Facts**—To get the answers to these questions, you have to understand a few things about crude oil.

Crude oil isn't a simple chemical compound; it's a mixture of many compounds. All are made out of two elements: hydrogen and carbon.

The proportions of the different types of hydrocarbons in different crude oils vary a lot. A typical crude from the East Texas field may contain 33% gasoline; out in California there are heavy crudes that wind up as 45% or more residual oil (a low-grade, heavy fuel oil for industrial plants and ships).

• **Some Are Worth More**—Naturally, the crude which can be refined into a high yield of gasoline is worth more. Impurities also affect the value.

All these qualities, and a lot more,



DEPLETED stocks were rebuilt in 1948 after the drain of oil-short 1947

are taken into account in figuring the price a given kind of crude oil will bring. This price usually varies from oil field to oil field.

• **Effect of Demand**—Changing demand for different refined products affects these prices. In fact, changing demand for a single product—like gasoline or domestic heating oil—can affect the prices of all refined products.

If gasoline demand goes up, refiners try to meet this demand by turning out more gasoline. To do so, they may process more crude. Then they also turn out more kerosene, more distillate oil, more residual. If demand for these other products isn't right in step with gasoline demand, they are soon in surplus supply.

Another way to meet high gasoline demand is to crack up the crude catalytically and make a larger percentage of crude into gasoline. This costs more, but once gasoline prices have gone high enough and fuel prices low enough, it becomes economic. The extent to which this can be done is limited by the number of catalytic refineries available, but at present price structures and refinery capacities the industry believes it can keep production balanced with demand.

• **Residual Price Drop**—That is exactly what has happened to residual oil. A year ago, terminal price for No. 6 fuel oil in New York was around \$3.00 a bbl.; now it is about \$1.60.

So crudes yielding a high percentage of residual are being reduced in price. Out in California, for instance, Standard Oil of California has cut its offering price for very heavy crudes by as much as 95¢ a bbl. since Jan. 1.

Its latest move has been to revise from top to bottom its posted prices for crudes of varying quality from various oil fields. Some of these revisions cut prices for low-grade crudes; others raised prices on high-grade crudes by as much as 26¢ to 28¢ a bbl.

• **Three-Year Picture**—Now, what does the oil shortage of 1947-48 have to do with the current prices?

To answer that, you have to go back nearly three years.

• **Predictions**—In late 1946, a few starry-eyed oil economists were predicting that this country would be consuming 2-billion bbl. of oil a year by 1950. Domestic demand at that time was running at a record 1.8-billion bbl. a year—a pace not achieved even during peak World War II years.

More conservative forecasters figured it would be 1955 or 1960 before we would be using 2-billion bbl. of oil yearly.

They all were wrong. Even the optimistic seers were too conservative. Domestic consumption of petroleum in 1947 just missed the 2-billion bbl. mark; including exports, consumption that year hit 2.15-billion bbl. And in

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1948, just to confound the experts, consumption (including exports) went even higher: 2.24-billion bbl., or 6.1-million bbl. for each day in the year.

• **Expansion**—The oil industry wasn't prepared for any such rise in demand. But it wasn't caught flat-footed, either. It takes years to plan and build a refinery or a pipeline. So the industry, at the end of the war, had launched an expansion program designed to keep producing, refining, and distributing capacity well above anticipated needs.

What had to be done—and was done—was to compress a five- or ten-year expansion program into two or three years.

• **Results**—The returns aren't all in yet on that expansion program. But here are some samples of what was accomplished:

• In two years, 1947 and 1948, the oil industry spent some \$4.2-billion to expand and improve production, refining, transportation, and marketing facilities; another \$2.1-billion will be spent this year.

• Nearly 40,000 wells were drilled in 1948 in the search for oil and gas—a new record. This came on top of 33,173 drilled in 1947, the highest total since 1920.

• Since the end of the war, refining capacity of the industry has been boosted more than 1-million bbl. per day; another 200,000 bbl. per day will be added this year. It now stands at close to 6.5-million bbl. daily.

• **Bigger Demand**—As new facilities were put into use, the supply of petroleum moved steadily upward. But consumption, for the first 14 or 15 months of this critical period, still ran ahead of supply. Unable to turn out gasoline and fuel oil as fast as people wanted it, the industry did the only thing possible: It dipped into its stocks of petroleum products (charts, page 72).

Result: By the end of December, 1947, stocks had sunk dangerously low. And to complicate matters from a distribution standpoint, much of the country was experiencing one of its most severe winters in years. Demand for heating oils soared; blocked rail lines, highways, waterways produced temporary shortages and rationing in some areas (BW—Feb. 14-48, p. 21).

• **Uptum**—Once the crisis of the 1947-48 winter was weathered, things began looking better. Starting in March, 1948, stocks began climbing substantially.

Then, in the early fall of 1948, came a reversal of the trend in demand; consumption in September, 1948, actually was less than in September, 1947. This same thing happened in October and December; demand in November, 1948, was only a little above that of November, 1947.

• **Stocks Too Big**—Within a matter of weeks the whole supply-demand picture

changed. Stocks that looked comfortable in the light of expected needs suddenly became too large; so did production rates.

On the four major products, this was the way the stock picture improved between the end of 1947 and the end of 1948:

Gasoline: from 40.4 days' supply to 43.6 days' supply.

Kerosene: from 42.1 days' supply to 57.6 days' supply.

Distillate fuel: from 38 days' supply to 58.3 days' supply.

Residual oil: from 31 days' supply to 58.7 days' supply.

Overall, the supply of petroleum increased 9% in 1948 over 1947, but demand gained only 4%. Economists see this as indicating a return to the long-term level of growth for the industry. Instead of the 10.6% jump in consumption recorded in 1947, they expect demand to rise by no more than 4% or 5% a year.

• **Worry**—What's worrying the industry right now is the rate at which stocks of distillate and residual oils are climbing. Crude production has been going down monthly since the first of 1949; refinery operations are off 15% or more from a year ago; refinery runs have been adjusted to produce as much gasoline and as little distillate and residual as possible—but stocks of the two heating oils are still creeping up, to a point where they tax storage facilities.

• **Consumer Viewpoint**—Most distillate oil is used for domestic and commercial heating. In 1947 and early 1948, consumers were afraid of a shortage, so they kept their home storage tanks filled. By early fall of 1948, they had pretty well stocked up, so they let down on their buying. Immediately there was a drop in "apparent consumption" of petroleum products. Then, since most of the nation experienced a mild winter, the need for heating oil continued below the previous year.

So refiners and a few distributors wound up the winter with more heating oil on hand than they needed—or wanted. Then, to make room in their tanks for gasoline—needed to meet summer's peak requirements for motor fuel—they began whittling at oil prices.

But consumers, seeing prices weakening, refused to buy.

• **Sales Job Needed**—Oil men suspect there are lots of empty fuel-oil tanks in consumers' cellars and in most retail dealers' tanks. And they would like to start moving some of today's large refinery and terminal stocks of heating oil into those tanks.

Some marketers are agreeing to protect fuel-oil buyers against any price drops during the summer months. Some are offering "summer discounts." And some are even telling consumers: "Fill up your tanks and pay in September."

BOOK REPORT



© Museum of Modern Art

PETER BLUME's "The Eternal City" symbolized prewar totalitarianism. George Orwell describes a more regimented and inhuman . . .

World of Thirty-Five Years From Now

ONE of BUSINESS WEEK's editors has just returned from Airstrip One. Airstrip One is what were formerly the British Isles. After the atomic war which raged in the 1950's, Britain, in common with the rest of the world, underwent profound political, social, and economic changes. English Socialism, the philosophy of a revolutionary party which assumed total power in the fifties, has by now developed into "Ingsoe. It is regimentation carried to its ultimate.

BUSINESS WEEK's guide through future time was George Orwell. He is the author of "Nineteen Eighty-Four," a novel just published by Harcourt, Brace & Co. A distinguished English literary critic, Orwell is best known in the U. S. as the author of "Animal Farm," a relentless satire on the Soviet system.

Orwell was once an enthusiastic Marxist and served with the Loyalists in the Spanish civil war. His disillusionment, though gradual, is now complete. Orwell's book, "Nineteen Eighty-Four," makes a new landmark in polit-

ical literature. With the gifts of a great novelist he has brought into focus an imagination of the quality which Thomas More put into "Utopia," the savage social discontent which characterizes the writings of Karl Marx, and insights into human personality which stem from Sigmund Freud.

To say that "Nineteen Eighty-Four" is the most effective attack on the collectivist ideology yet mounted is to fall far short of its due. It achieves what no statistics, no appeals, no theory can achieve. It makes human degradation by the state palpable; few readers can fail to feel an active revulsion. In 35 years from now the state has run amok, and we are all dehumanized.

It is impossible to calculate the influence which this book will have. For the idealistic college student, for the anchorless social planner, for the brooding intellectual, and for the drifting politician it promises to be a shocking experience. It will turn the stomach. It might even turn the mind.

For the businessman who grasps the relationship between the enterprise system and human values, it is a weapon in the cause of freedom.

LONDON of 1984 is easily recognizable. Some of the familiar landmarks still stand; and even the pitted earth and rubble heaps are sharply reminiscent of 1941's dark winter, when there had been no real tidying up after the air blitz in World War II. It is a shabby, dirty city. There is nothing about it of the picturesque filth of the great cities in the first half of the twentieth century; no flashing colors, no exotic smells, no gleaming windows to mirror the common beauty of little street scenes. There is no gaiety at all.

• **The Dirty City**—The fogs still come. But even when the day is clear, the grimy dust which blows ceaselessly from the crumbled ruins dims the brightness of the sun. That dust covers everything: buildings, clothes, faces. With a gritty persistence it seeps through closed win-

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INDUSTRIAL HEATING

dows and makes its way over thresholds. Inside and out, London is dirty; and its people, washing with the coarse, scarce soap which the state provides, are gray-skinned, dirty people.

The atonal gray of the city is only relieved by the posters. From every wall, the harsh primary colors blazon forth. One of the posters—the largest and most ubiquitous—is done with uncanny artistry. It is nothing but a huge face and a slogan. The face has the enigmatic quality of the Mona Lisa: Is it smiling or resposeful, cruel or kindly, stern or gentle, good or bad? It has anything in it one chooses to look for, and so alive are the eyes that it seems three-dimensional. Those eyes, dark and fathomless, look directly at you. Nor can they be evaded by turning the corner; they await you, staring from another poster.

The meaning of this poster is so obvious that the slogan beneath the face is redundant. It reads: **BIG BROTHER IS WATCHING YOU.** Yes, this is Big Brother, head of the Party which rules Oceania, sovereign over one-third of the globe.

• **The Slogans**—Other posters proclaim simply **INGSOC**, the name given to Oceania's political system, or the three slogans of the Party: **WAR IS PEACE. FREEDOM IS SLAVERY. IGNORANCE IS STRENGTH.** Whatever it is that stands behind this face and this gibberish is the heir and final expression of Western Civilization.

That civilization seems to have come through two earlier phases. First its values were spiritual: the ideology of man's unity in God, which came to its apogee in the eleventh century and found its symbolism in the soaring nave of Chartres and the towering steeple of Mont St. Michel. Then, its values became material: the ideology of a rising physical standard of living; its peak came in the first half of the twentieth century, and its symbols were the assembly line, the Five Year Plan, and an atomic power plant in every garage.

Now, this. What are the values here? They are neither spiritual nor material. By earlier standards, there are no values at all except naked political power. Certain aspects of life in the first half of the twentieth century have been developed to their ultimate and been enshrined as public morals. This is the culture of the herd: follow; be content; be without any thought or idea save those supplied by the state; have no inner life which might provide a human identity.

• **The Universal Poverty**—At first it seems curious that a people can be kept docile and unprotesting in such poverty. That there should be such dismal and universal poverty seems inevitable. Enterprise is not only dead, but the very idea of it is subversive. The magnificent technology it once developed has been destroyed or diverted. No freedom of thought is permitted, so invention and industrial progress are stifled. Industry

has been turned back into more primitive forms lest it produce material welfare which would in turn produce leisure. And leisure would be freedom from drudgery. Under Ingsoc, freedom of any sort must be suppressed lest the state be imperiled.

Only in two areas are scientific inquiry and development permitted. One is in the tools of war. And here all of Oceania's research and development only serve to keep it equal to Eurasia and Eastasia, the two superstates which rule the rest of the world and manage to stay constantly at half-hearted war with Oceania or with each other.

But in one other field, science has made great strides. That is in the field of thought control.

• **The Telescreens**—What free laboratories and a free industry could have brought to man is strikingly illustrated in London by what has been done with just one device which was commercially developed as long ago as World War II. That device is television.

In every room of every home and office in 1984, there is a telescreen. It is mounted on the wall in such a way that it is impossible to get out of its field of vision. It transmits and receives simultaneously. Any sound made in the room is transmitted over it, back to a central headquarters. Moreover, every move, every gesture, every facial expression in the room is broadcast back. And over the telescreen comes, not only an uninterrupted stream of communication from the government, designed to envelop all the conscious mind, but individual messages.

Thus, Winston Smith, 39-year-old member of the Outer Party, employee at the Ministry of Truth, can be admonished directly, by name and number, when he does his setting up exercises in the morning—within view of the telescreen, of course—to show more enthusiasm. He can be told, along with every other citizen of London, to take the scowl off his face, to feel more cheerful, to stop dallying over his tea and get along to the recreation center for group activities.

• **The New Language**—But not by fear alone are the Winston Smiths regimented. Fear and terror are, at best, tools of defense. To have to use them is to acknowledge that disloyalty exists. The behemoth state of the future understands this well. By devices both savage and subtle it remolds the minds of its citizens so that it is no more possible for one of them to have disloyal thoughts than it was for the average American to think in Arabic. Ingsoc remakes the language so that the intelligence of its citizens cannot encompass concepts inimical to the state.

The inhabitants of Oceania are divided into three classes. There is, first, the small group which belongs to the

Inner Party. These are the ruling elite. They enjoy what little there is of luxury, servants, status. Most importantly, they enjoy power. Not merely the power to make decisions, or to confer the right to live or die—they have power which, before, had been attributed only to divinity; they have power to make the future.

• **The Flexible Past**—Ingosc rests on the theory that whoever controls the past controls the future. Events, records, memories of what has happened before determine attitudes and future events. By its rigid and all-pervasive control of the present, Ingosc controls the past—by remaking it constantly. Thousands of Winston Smiths are employed to re-write all existing records. The genius of its science of thought control is concentrated on erasing from the mind whatever was said yesterday or last year which today would raise doubts about the omniscience of Big Brother.

It is such power—supreme, complete, self-perpetuating—which the Inner Party wields in 1984.

The second class of Oceania's inhabitants belong, like Winston Smith, to the Outer Party. They are the skilled hands and controlled brains which make up a civil service in a state which runs everything. They live meanly. Life's compensation for the Outer Party member is provided by state functions. Emotional tumescence and relief come in organized hate periods and organized periods of reverence for Big Brother. The thrill of sex is proscribed. Propagation must be loveless and mechanical, lest it involve some private feeling which is beyond the state's reach.

Below the Inner and Outer Party people are the Proles, the masses. Systematic liquidations weed out all who show signs of having more than cretin intelligence. They do the manual work, and for this they are permitted to roister and multiply at will. Like beasts of the field, they feel nothing but animal instincts, and whatever urge they have to violence or discontent is worked out on their fellow Proles.

• **The Chrysalis**—How thorough and how simple has been the metamorphosis of man. The monster-state has achieved with ease what appeared at an earlier date to be a complete reversal of humanity's history of ascent from the paleozoic ooze. Looking back at the first half of the twentieth century from the perspective of 1984, however, one detects the chrysalis of what life has become. The signs were there in the brutalitarian ruthlessness of Russia; the acclimitization to self-denial and austerity of England; the growing dependence on government of America.

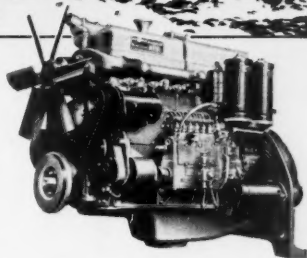
These are the elements out of which "Nineteen Eighty-Four" has been compounded. The future built upon them is an unmitigated horror.

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FINANCE

Rail Earnings Flagged Down

Higher rates have masked traffic drop until now, but earnings may be halved in half-year ahead. Rails proving more vulnerable to recession than most industry.

At first glance, the railroads seem to have done pretty well this year. Despite severe weather in the West, January-April revenues of the Class I roads were less than 3% under year-earlier figures. And profits in the period only failed by \$4-million or so of matching the \$102-million racked up in the same months of 1948.

• **Deceptive Comparison**—The showing is misleading. For one thing, early 1948 itself was not particularly good. Rail earnings in the first four months of 1948 actually ran some 24% under year-earlier levels.

There's another misleading element in a revenue comparison with 1948. Higher freight rates conceal a downward trend in traffic; actual carloadings have been declining consistently for almost a year now. And unfavorable May operating reports (table, page 81) indicate that rail earnings are likely to prove more vulnerable to recession, from here on, than industrial profits generally.

The June report is expected to show net income sharply under the 1948 level. Partly, this is because unemployment tax credits swelled June, 1948, earnings. But more important is the fact that freight rates will no longer distort year-to-year monthly comparative figures and offset downtrending traffic volume; the big increase in rates came in May, 1948.

• **Bearish Predictions**—Some close followers of the rail industry in the Wall Street district now estimate that, for the full year 1949, earnings of the Class I carriers may drop as much as 30% to 35% below last year's \$711-million—may total only \$450-million to \$490-million. Another investment advisor now believes that during the second half of 1949 Class I road earnings may plummet to a \$300-million annual rate, less than half the \$700-million of net income actually reported in the most recent 12-month period, through April, 1949.

Primarily responsible for these bearish predictions is the normal rigidity of rail operating costs generally, and of labor costs in particular. Traditionally, the industry is unable to cut its costs quickly when traffic starts to drop.

Labor costs alone, for example, now absorb around 50¢ of each \$1 of gross.

And this onerous ratio may rise still higher before the year is over; wage costs are slated to jump sharply on Sept. 1 with the adoption of a 40-hour work week, with no cut in pay, for nonoperating employees.

• **Savings**—Of course, there are some bright spots in the picture, too. Drops in the cost of materials and fuel have already helped rail earnings, and further such savings are expected. The industry is seeing to it, too, that it isn't overstaffed. Employment recently was at its lowest point since 1942. Further cost cuts are likely through reduced maintenance; all roads are endeavoring to get as much maintenance work as possible completed before Sept. 1.

Increased use of diesel motive power is another cost cutter. Southern Pacific, for example, has some 335 diesels, costing \$77-million, working on its

lines. It estimates that they are saving \$26-million in annual operating costs. A dollar's worth of diesel fuel, S. P. reports, produces the same work as \$2.23 of fuel in a steam engine. Diesels also permit heavier train loading and reduce the need for helper locomotives.

• **Loadings Down**—However, such savings in operating costs can easily be wiped out by a drop in traffic density, which ordinarily increases costs. And the car-loadings picture at the moment is a discouraging one.

Loadings in the first half of 1949 ran about 10% under 1948 levels, but they have recently been evidencing much sharper year-to-year declines. June loadings appear to have been off some 16%.

Agricultural shipments, though due to increase seasonally in the months ahead, may be less than the trade had counted on, because of the current government policy of encouraging storage of the new crop on the farms. And there has been a discouraging downtrend recently in such important "bread and butter" freight items as coal, steel, and other heavy industry products. This could well offset any increased traffic in commodity shipments over coming months.

• **Passengers Down**—In recent years there has been a persistent downtrend in passenger traffic. To make any money on such traffic the rails need a heavy turnover. Last year passenger operations of the Class I roads produced a \$560-million net operating deficit, according to the Interstate Commerce Commission; this was the largest loss of its kind chalked up since 1936, the earliest year for which figures are available. The passenger end of the railroad business is likely to prove an even heavier burden this year, even should the ICC O.K. the rails' recent request for a 12½% increase in basic passenger rates.

The problem is a difficult one. Some progress has been made through installation of modern streamliners which pay their way individually. But the unprofitable passenger runs still greatly outnumber the "earners." So passenger losses continue to increase.

• **Rail Stocks Down**—How the expected drop in earnings will affect dividend policies remains to be seen. Obviously, not all roads are faring exactly like the Class I roads as a whole. Individual results have varied widely in 1949 and can be expected to vary in the months ahead. Investors and traders, however, aren't very sanguine about the over-all rail outlook. For some time now they have been selling rail shares. Standard & Poor's weekly rail stock index has lost close to three-quarters of its handsome 1942-46 bull market gains and has been pushed back to its lowest level since December, 1945.

• **Business Impact**—The current situation of the railroad industry and its



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1949 Picture: Shadow Over Rails

(In Millions of Dollars)

	January-April				May			
	Gross Revenues	Net Income	Gross Revenues	Net Income	Gross Revenues	Net Income	Gross Revenues	Net Income
	1949	1948	1949	1948	1949	1948	1949	1948
A., T. & Santa Fe.....	\$153.6	\$158.0	\$11.7	\$13.7	\$37.8	\$41.5	\$1.4	\$4.4
Atlantic Coast Line.....	48.2	50.3	5.2	5.8	10.1	12.0	**	0.6
Baltimore & Ohio.....	124.2	120.9	4.7	2.9	34.4	35.6	1.3	2.0
Boston & Maine.....	28.1	31.0	0.1	D0.4	6.9	7.6	0.1	0.3
Chesapeake & Ohio.....	100.1	95.5	9.5	4.2	29.4	31.5	4.1	5.0
Chic., Burl. & Quincy.....	68.6	74.4	3.1	7.7	16.8	18.3	0.5	2.1
Milwaukee Road.....	75.1	77.5	D2.5	D1.3	18.6	19.2	D0.8	0.6
Chic. & North Western.....	54.4	57.9	D6.5	D4.0	13.8	16.3	D0.8	2.0
Chic., Rock Island & Pacific.....	58.7	60.0	4.4	3.4	14.4	15.3	0.6	1.0
Del. & Hudson.....	17.1	19.0	0.6	1.4	4.5	5.1	*0.3	*0.7
Del., Lack. & Western.....	27.2	29.3	0.4	0.8	7.4	7.7	0.3	0.5
Denver & Rio Grande.....	22.5	20.1	1.5	2.0	5.2	5.7	0.1	0.9
Erie.....	50.4	55.9	1.9	3.3	12.8	14.7	0.2	1.0
Great Northern.....	59.0	59.7	D3.4	0.1	17.9	10.3	1.2	2.0
Gulf, Mobile & Ohio.....	24.7	25.5	1.3	1.3	5.9	6.7	0.3	0.6
Illinois Central.....	84.6	85.4	5.2	4.6	21.0	22.1	1.0	2.2
Kansas City Southern.....	13.5	13.1	2.6	2.5	3.4	3.3	*0.7	*0.9
Lehigh Valley.....	23.3	25.6	0.1	D0.6	6.1	6.6	**	0.2
Louisville & Nashville.....	62.7	65.8	3.4	3.2	16.1	17.9	1.3	1.5
Mo.-Kans.-Texas.....	25.2	24.0	1.0	0.8	5.9	6.4	0.3	0.4
New York Central.....	239.5	236.6	3.9	D4.9	58.4	63.6	D1.0	1.8
N. Y., Chic. & St. Louis.....	34.3	35.3	4.3	4.0	8.4	9.2	1.1	1.4
N. Y., N. H. & Hartford.....	50.4	55.7	1.4	D0.9	12.3	14.5	0.4	1.1
Norfolk & Western.....	56.6	53.1	9.5	9.1	15.9	17.9	2.7	4.1
Northern Pacific.....	44.3	45.9	D4.1	D0.6	12.1	11.6	0.1	0.4
Pennsylvania.....	307.9	302.5	2.1	D8.9	78.0	87.5	1.9	3.1
Reading Co.....	39.4	40.5	2.0	2.0	10.4	10.9	0.8	1.1
St. Louis-San Francisco.....	36.5	37.7	1.0	1.2	8.8	9.8	**	0.3
Southern Pacific.....	167.8	184.3	5.1	13.1	44.0	46.2	1.2	3.0
Southern Ry.....	73.0	80.4	2.6	5.2	17.6	20.3	0.8	1.7
Texas & Pacific.....	21.4	25.1	1.5	1.8	5.2	6.5	0.4	0.6
Union Pacific.....	115.3	132.7	6.2	15.7	31.8	32.0	2.5	3.4
Virginian Ry.....	11.3	10.4	2.0	1.1	3.6	3.8	0.7	1.0
Wabash.....	29.2	34.2	0.7	3.0	7.6	8.5	0.4	0.7
Western Maryland.....	15.2	13.7	2.0	1.4	3.7	3.9	0.4	0.7

D Deficit. * Net Oper. Income. ** Profits less than \$50,000.

traffic outlook affects more than security holders. Many a business man has a stake in the trade, too. Last year, for example, the money it paid out contributed some \$8.4-billion to the national income. Fuel purchases came to \$828.6-million; forest products, \$166.5-million; iron and steel products, \$746.6-million; equipment, \$917.4-million; and other materials and supplies, \$484.3-million. Also disbursed were \$4.7-billion in wages, \$289-million in cash dividends, and about \$270-million in interest on rail obligations.

MULTIPLE RATING SOLUTION

The complicated fire-insurance problem of "multiple location" rating looked a lot nearer to a solution last week.

The National Association of Insurance Commissioners, in its annual meeting at Seattle, approved a plan for giving discounts to buyers of fire-insurance on building contents if they do business in 50 locations. The plan must be sub-

mitted to individual state insurance departments for final approval.

That will probably settle a running battle between stock fire-insurance companies and New York insurance superintendent Robert E. Dineen (BW-Jan. 15'49,p84). Dineen wanted discounts, but many companies didn't. Dineen had a hand in drafting the provisions of the new plan.

The plan provides for discounts and surcharges on the regular rate, depending on past loss experience—with the class of property involved and with the particular buyer. The more locations involved in one policy, the more will past experience with the individual buyer be taken into account. However, no discount will be made for lower expenses to the insurance company in handling multiple-location policies. It's expected that expensive discounts will come later, after cost studies have been made.

Another feature of the plan: The base rate will be a countrywide average of specific rates in local areas.

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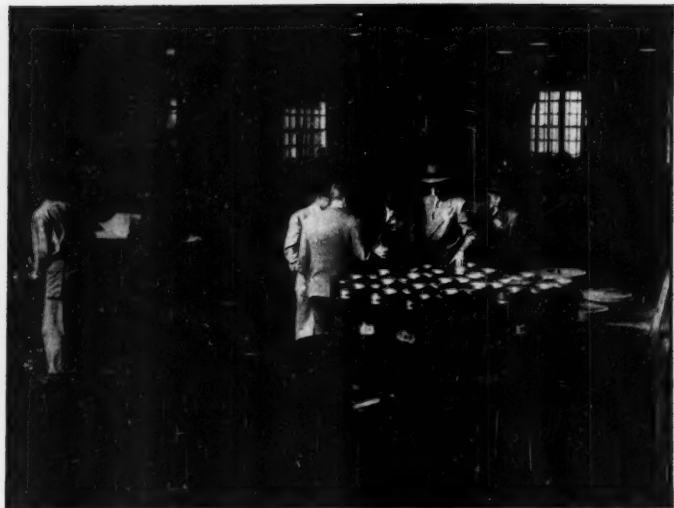
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• **The Job**—They are ready to show you how to improve your company's relations with stockholders, and how to broaden the market for your stock. As an essential part of their job, they offer to get financial facts about your company better known in Wall Street. That's because most would-be investors consult someone in the U. S. financial community before they invest.

This publicity service is not new. General public-relations firms have offered it since the '30's. Advertising agencies handle it, too. Many big companies have their own stockholder-relations departments.

• **Equipment**—But the financial publicists feel they do a better job than anyone else. They believe their specialized experience in the financial community gives them an edge over the public relations and ad agencies. And, they say, they can be more objective toward company management than the company's own publicists.

• **Originator**—Most of the independent counselors will tell you Arthur Higbee is the man who started their business. Higbee has been representing Borg-Warner Corp. in Wall Street for the last 20 years. He has recently taken on another client, but isn't interested in

building up an organization to handle many more.

Higbee had been a trader for many years before he started with Borg-Warner in 1929. He says he had long been struck by the fact that so many companies listed their stock on the Big Board, then "went off and left it." They didn't bother to tell the public things it needed to know. He offered to do the telling for Borg-Warner.

"At first a lot of people thought I was running a pool," Higbee says. "It took years before they really came to trust me. I've always been absolutely honest. I told them the bad things as well as the good. No prophecies on earnings."

• **Security Analysts**—Higbee had the field pretty much to himself for quite a while. Then the thirties brought the rise of the "security analyst" on the Street.

Of course, there have always been good analysts in Wall Street. But most firms didn't develop strong research departments until the days of the Securities & Exchange Commission. Now the security analysts are organized in societies in New York and other cities.

The security analyst gave new impetus to the financial publicist. The publicists are in business as much to furnish the analysts with data as to provide a general stockholder-relations service. Most of the financial publicist or-

ganizations are quite small, nearly all center in New York City.

• **Who and How**—Who are their clients? In general, they are: (1) companies with satisfactory earnings histories, who aren't well known, though they have long listed their stocks; (2) new companies, and companies with stock newly listed on an exchange; (3) companies that have had financial or stockholder troubles.

How do the publicists get their clients? Some say all their business comes through the Wall St. underwriting houses. Others solicit clients directly.

• **Different Paths**—How the counselors approach their job depends on their past experience and their business contacts.

Most of them put out periodic reports on their own letterheads about their clients' operations. Some send these reports wholesale. But others send them only to people they know.

The counselors who have been brokers or analysts usually don't bother much with the press. But men who have been financial journalists feel that a story in a national magazine or newspaper can do their clients a lot of good.

• **Personal Approach**—You'll find the publicists disagree on the value of personally representing the company to analysts. Harold Hodgson, for instance, feels that the stockholder should get day-to-day information. The way to do that, he feels, is to keep in close touch with Wall Street houses himself.

• **Company Approach**—But Tom Foristall, a former financial writer, and H. Graham Smith, an ex-corporation lawyer, do things differently. Foristall believes it's better for company executives to carry the ball. Smith's outfit, Stockholders Relations, Inc., offers to train company men on how to talk with analysts and with big stockholders.

• **Getting Together**—But the publicists do agree on one point: it helps to bring company brass to Wall Street—and vice versa. Maybe they'll get their clients to tell the company story at one of the off-the-record lunches of the New York Society of Security Analysts.

An unusual variation on the plant tour is to bring a large-scale show of the company's products directly to Wall Street. H. M. Cartley & Co. arranged one for Affiliated Gas Equipment, Inc. (BW—Apr. 30 '49, p. 85).

• **The Street's View**—Wall Streeters mostly believe the financial publicist is an asset, particularly for companies not large enough to develop their own stockholder-relations departments. But the men on the Street are still skeptical about how impartial the counselor can be.

All along the line, personal acquaintance pays dividends. Analysts are likely to listen to publicity men whom they already know in other connections—and ignore the rest.



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Pet Target

Justice Dept. aims at du Pont again. This time it's a civil suit asking divorcement from G.M. and U.S. Rubber.

Last week the Justice Dept. opened the second round in what promises to be a long legal battle against E. I. du Pont de Nemours & Co.

• **Change of Tactics**—Justice had earlier asked a federal grand jury in Chicago to look into the relationship between du Pont and General Motors Corp., a company in which du Pont owns about 23% of the outstanding common stock (BW—May 28 '49, p. 84). The jury hasn't yet come up with an indictment.

Now the Justice Dept. has changed its tactics. It has filed a civil suit in federal district court in Chicago; it charges du Pont, G.M., U.S. Rubber Co., and the du Pont family with violating anti-trust laws.

• **Matter of Size**—Attorney General Tom Clark declared that the suit was "directed to the breaking up of the largest single concentration of industrial power in the U.S." He asked the courts (1) to make du Pont sell its 10-million shares of G.M. stock; and (2) to compel the du Pont family to sell its 17% interest in U.S. Rubber.

Christiana Securities Co. and Delaware Realty & Investment Corp. are du Pont family holding companies, the government says. The suit names these companies as defendants. Also named are all du Ponts related by blood or marriage to Pierre S. du Pont, Lamont du Pont, or Irene du Pont who hold voting stock in these companies or in U.S. Rubber.

• **Charges**—The government charges that du Pont required G.M. and U.S. Rubber to buy from it rather than from outside suppliers. It alleges that secret rebates and preferential pricing were used. It also says that du Pont made the other two companies expand production and enter new fields in order to enlarge a "closed and guaranteed market" for du Pont.

The other charges: that du Pont, G.M., and U.S. Rubber swapped patents, technical data, and trade information among themselves on an exclusive or preferential basis; that they have divided fields of production among themselves to keep from competing.

The government is asking the federal court to force du Pont to give up making tetraethyl lead, ethyl fluid, and ethyl chloride. It's also demanding that G.M. sell its 50% interest in the Ethyl Corp., maker of antiknock fluid.

• **Retorts**—Du Pont's president, Crawford H. Greenwalt, said that the rela-

tionships among the companies named in the suit had been matters of public record for many years, and were not illegal. Said he: "The motive for this suit must arise out of a determination by the Dept. of Justice to attack bigness as such."

And Herbert E. Smith, U.S. Rubber's board chairman, said, of his company: "All our relationships are legal. We believe . . . that bigness in business is a reliable sign of service."

FINANCE BRIEFS

Trading statistics from the New York Stock Exchange for the first half of 1949 make sad reading: Stock deals involved only 112.4-million shares, smallest six-month total since 1942; bond trading slipped to its lowest level since 1914.

World Bank securities can now be handled by Federal Reserve member banks. That's part of a new law, signed by President Truman, to facilitate marketing of these securities.

Auto-insurance rates have been sliced 20% for New York State by the Farm Bureau Mutual Automobile Insurance Co. of Columbus, Ohio. And it has cut New York farmers' autos an extra 10%, farm trucks an extra 15%.

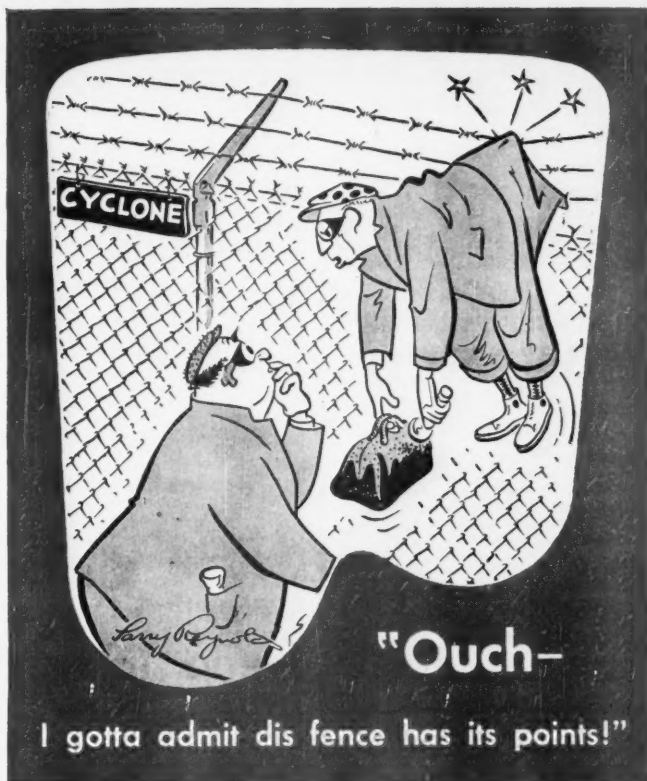
American Gas & Electric Co. has hiked quarterly common dividend rate from 50¢ to 75¢. President Philip Sporn believes that the new dividend rate can be maintained through 1949 at least.

Registered last week for public offering: \$150-million of 25-year Standard Oil (N.J.) 2½% debentures; \$15-million of Illinois Power 30-year mortgage bonds; \$13-million of 25-year Columbia Gas System debentures. All are "new money" deals.

Graham-Paige Motors Corp. is now in the oil business. It has made a deal with Deardorf Oil Corp. involving exploration and drilling for oil and gas on Deardorf-leased Oklahoma acreage. Graham-Paige also has an option to purchase a substantial block of Deardorf's capital stock.

Owens-Illinois Glass Co. last week retired \$15-million of 3-year 1½% notes not due until Oct. 27, 1950.

Southern Pacific system has ordered 67 additional diesel locomotives costing over \$23-million. Its postwar outlays for rolling stock now add up to around \$241-million—almost \$90-million of it for diesels.



PLANT executives also grant that a Cyclone Chain Link Fence has its points, but to them, *they are all good ones*. Effective protection for property and equipment. Complete "entrance and exit control" that forces *everybody* to enter and leave at designated places. Special features of design, construction and installation that assure long fence life.

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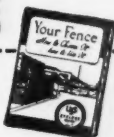
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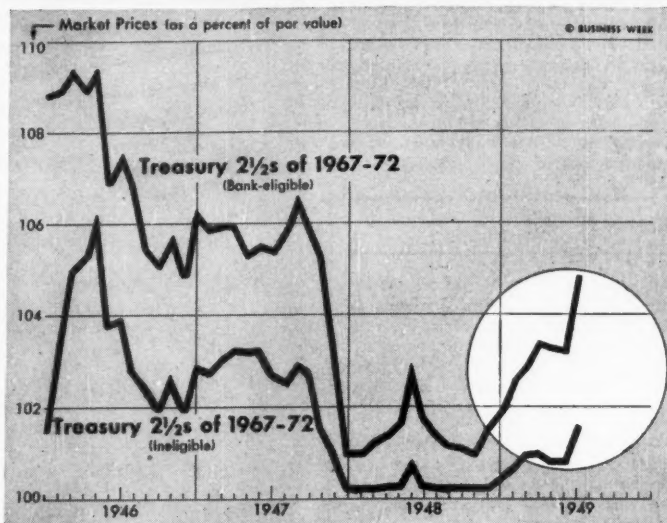
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THE MARKETS



HIGHER PRICES for government bonds mean lower interest rates, highlight the . . .

Trend Toward Easy Money

One cause: the drop in business' need for funds. But major reason is Federal Reserve's belief that lower rates will help check the recession. It all means that it will cost you less to borrow.

Businessmen can count on easy money to help them through the current readjustment period. The long downtrend in bond prices (rise in interest rates) that began in 1946 has completely reversed itself. The basic trend now is toward higher bond prices, which means, of course, cheaper money.

One reason for the change in the trend is the fact that business needs to borrow less money now. Postwar capital expansion has passed its peak, though it still is running at a high level (page 21). So business needs less cash

to finance new plant and equipment. • **FRB Decision**—But the real steam behind the rise in bond prices comes from the Federal Reserve Board. The money managers have decided to use easy money as a device for stimulating business and checking the recession. They have set out deliberately to loosen up credit and push down interest rates.

The board switched from a deflationary money policy to mildly inflationary tactics around the turn of the year. And last week the Open Market Committee of the Federal Reserve System brought the new easy money policy out into the open. It announced that hereafter it would be less aggressive in its sales of government securities on the open market.

• **Market Stronger**—The committee's statement was cautiously worded. But the market took it as a plain invitation to mark governments up to higher and higher premiums.

Government security prices have been firming up ever since last November (BW—Jan. 29 '49, p. 70). In recent weeks, only heavy sales out of the reserve portfolio have kept the market from going through the roof.

Since last week's announcement,

Security Price Averages

	This Week	Month Ago	Year Ago
Stocks			
Industrial	140.4	136.8	134.8
Railroad	35.9	35.7	35.8
Utility	71.2	70.2	70.4
Bonds			
Industrial	98.2	98.0	99.1
Railroad	79.5	79.3	80.3
Utility	96.6	96.5	96.2

Data: Standard & Poor's Corp.

prices have been climbing fast. The long-term bank-eligibles are now selling for about a five-point premium. Even the ineligible long-terms were bringing about 2½ points over par around the middle of this week. And dealers say that this isn't the top of the market by any means.

• **Corporates, Too**—The firmness has spread from the government market into corporates. Here, traders are more concerned with the risk factor, and the rise has been modest. Only high-grade corporates have managed a smart rise so far.

This week, rates on bankers acceptances also dropped, by between ¼ and ½ of a percentage point. This reflects the generally easier credit situation that the reserve policy creates.

• **Purpose**—One of the main objects of the Open Market Committee's announcement was to push more bank money into loans to business, instead

of letting it flow into government bonds. Business loans have been shrinking steadily ever since the start of the year (BW—May 21 '49, p100).

Easier credit probably will mean lower rates on business loans. But lower rates alone can't force more borrowing. Most bankers think business loans will continue to shrink slowly until a recovery in output increases business' needs for funds.

• **No More Floor?**—There is one other angle of the Reserve Board's new policy that is worth remembering. When the Open Market Committee took the ceiling off bond prices, it also opened the way to removing the floor that it put under prices all through 1947 and 1948. The Reserve System now is no longer committed to maintain a rigid rate structure in the government market.

And if prices ever turn down again, it won't necessarily try to stop them at par.

The 1949 Bond Market: Mid-Year Report

This year bonds as a group have acted much better marketwise than most stocks. That's the normal pattern when bear market influences are persistently undermining stock prices.

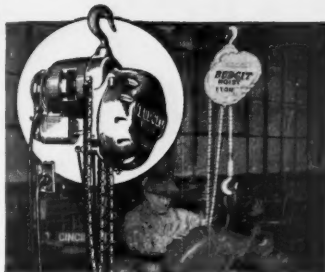
But don't get the idea a bull market in bonds has been under way. Actually, the 1949 bond mar-

ket has been a pretty selective affair, as indicated in the table below. Only the high-grade group has put on a really convincing price performance. And while the blue chips have been persistently seeking higher levels, most lower-grade issues have been acting in rather lousy fashion.

Moody Rating	Bond Issue	Offering Price and Year Sold†	1946-49 Range High†	Low†	Recent Price†	Gain from Low
AA	Amer. Tel. & Tel. 2½s, 1986.....	100.85 (1946)	100.37	85.00	93.37	+9.8%
AAA	Atch., Top., & S. Fe. 4s, 1995.....	*	141.00	115.25	124.62	+8.1
A	Bethlehem Steel 3s, 1979.....	100.50 (1949)	101.50	101.50	101.50	+1.0**
AAA	Boston Edison 2½s, 1970.....	*	108.75	98.12	101.75	+3.7
BAA	B'klyn Union Gas 2½s, 1976.....	103.00 (1946)	103.25	84.50	98.00	+16.0
AAA	Chesapeake & Ohio 4½s, 1992.....	*	151.37	119.50	124.50	+4.2
A	Chic., Bur. & Quincy 2½s, 1970.....	100.80 (1945)	103.37	90.25	95.50	+5.8
AAA	Cincinnati G. & E. 2½s, 1975.....	101.00 (1945)	107.87	96.75	101.12	+4.5
AAA	Cleveland Elec. Illum. 3s, 1970.....	*	110.50	102.12	106.00	+3.8
BAA	Colorado Fuel & Iron 4s, 1964.....	100.00 (1949)	100.00	84.50	98.00B	-2.0**
BAA	Crucible Steel 3½s, 1966.....	100.00 (1946)	101.87	88.50	95.00B	+7.3
A	Great Northern 2½s, 1982.....	101.14 (1946)	100.62	82.50	88.00	+6.7
AA	Hackensack Water 2½s, 1976.....	105.00 (1946)	105.00	93.00	97.25	+4.6
A	Koppers Co. 3s, 1964.....	*	107.00	99.50	102.50	+3.0
AA	N. Y. Pow. & Light 2½s, 1975.....	102.50 (1945)	106.75	94.12	100.25	+6.5
AAA	Norfolk & Western 4s, 1996.....	*	143.00	126.50	128.25	+1.4
BA	Northern Pacific 4½s, 2047.....	*	110.00	72.50	74.50	+2.8
AA	Pacific G. & E. 3s, 1971.....	*	110.50	98.50	103.87	+5.5
BAA	Pennsylvania R. R. 4½s, 1984.....	*	135.50	84.50	87.25	+3.3
A	Reading Co. 3½s, 1995.....	101.00 (1945)	105.50	81.50	85.25	+4.6
AA	Shell Union Oil 2½s, 1971.....	101.50 (1946)	101.50	91.00	97.25	+6.9
AAA	Socony-Vacuum Oil 2½s, 1976.....	100.50 (1946)	100.50	90.25	96.50	+6.9
BAA	Southern Pacific 2½s, 1986.....	101.50 (1946)	102.25	80.00	83.00B	+3.8
AAA	Standard Oil (N. J.) 2½s, 1971.....	98.00 (1946)	99.75	91.50	95.37	+4.2
A	Swift & Co. 2½s, 1972.....	100.50 (1947)	103.75	95.25	99.12	+4.1
BAA	Texas & New Orleans 3½s, 1990.....	100.00 (1946)	101.00	88.50	88.87B	+0.4
BAA	U. S. Rubber 2½s, 1976.....	100.50 (1946)	101.50	90.00	96.00B	+6.7
BAA	Universal Pictures 3½s, 1959.....	*	104.25	75.00	79.25	+5.7
AA	Virginian Ry. 3s, 1995.....	106.00 (1945)	113.00	92.12	99.50B	+8.0
BA	Walworth Co. 3½s, 1976.....	103.00 (1946)	107.25	85.00	88.50	+4.1
AA	Westinghouse Elec. 2½s, 1971.....	100.50 (1946)	103.00	96.37	98.50B	+2.2
BAA	Wheeling Steel, 3½s, 1970.....	103.00 (1945)	108.00	93.50	97.00B	+3.7

† All prices given are % of par. * Outstanding before 1945. ** Change from offering price.

B—Bid price.



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LABOR

Week's Developments in 4th-Round Bargaining

FORD asked United Auto Workers (C.I.O.) to skip a 1949 wage hike, re-open on pay in 1950 only if c.o.f.l. index goes up or down four points. Union refused, is sticking to full 1949 demands—for a pension, a health and security plan, and a pay boost. But union has agreed to extend contract covering 106,000 Ford workers on day-by-day basis beyond July 15.

CHRYSLER contract has a 1949 re-opening only on wages. So U.A.W. asked Chrysler to raise pay enough to cover the union's full three-point demand on Ford and other auto employers. This way, U.A.W. hopes to avoid a court test of whether pensions, etc., are legally a part of wages—and still get as much as at Ford.

U.S. STEEL flatly rejected United Steelworkers (C.I.O.) pension demands, told the union other demands made aren't justified this year. But Big Steel left the way open for further bargaining before a July 16 strike deadline.

TIMKEN ROLLER BEARING got steel-union demands for a 15¢ raise, a \$150 retirement plan, other contract changes. It turned them down as "impractical" due to steadily pressing competition. Contract expired July 1; plant is closed until July 18 for vacations.

BALDWIN LOCOMOTIVE and C.I.O. steelworkers extended their contract to July 10 for further contract bargaining. Union had set a strike for July 1.

ALUMINUM CO. OF AMERICA was notified that C.I.O. steelworkers will quit jobs July 31 unless a settlement is reached on 1949 pay demands.

WESTINGHOUSE ELECTRIC and **GENERAL ELECTRIC** resumed fourth-round talks with C.I.O. electrical workers this week—but there still weren't any signs of union militance. Companies stood pat on argument that industry can't support higher labor costs. Smaller firms were signing up for no raise now, but fall wage reopenings.

COAL miners scrapped their traditional "no contract, no work" policy to return to pits after a 10-day paid vacation. But they went back only on a three-days-a-week basis, ordered by John L. Lewis to "stabilize" the industry. Lewis and soft-coal operators resume contract talks on July 12. Preliminary talks between Lewis and hardcoal operators got under way this week. Anthracite mines already were on three-day week, will continue that schedule.

AMERICAN SMELTING & REFINING contracts with C.I.O. smelter workers expired in 12 plants on June 30. Workers are staying on the job. Negotiations are continuing on 1949 demands—including a pay boost, a shorter work week.

AMERICAN METAL CO. copper refinery at Carteret, N. J., was struck in a dispute between company and C.I.O. smelter union over union demands: a 25¢ pay boost, a pension plan, and social-insurance benefits.

Unions Don't Want a Labor Bill

They know they can't get anything better than Taft's bill. And they won't take that—even though it softens many parts of T-H. The basic philosophy behind Taft's bill is the real issue.

Just before the final Senate vote on the labor bill last week, Sen. Thomas, of Utah, the Administration floor manager, changed the name of the legislation. He shifted the title from the "National Labor Relations Act of 1949" to the "Labor Management Relations Act of 1949."

This shows how complete Sen. Taft's victory was. Except for the dates, the first title is the official name of the Wagner act; the second, of the Taft-Hartley act.

The Administration, and union labor, took this way of saying they want no part of Taft's bill—despite the fact that it contains 28 changes from the T-H law. They told Taft: "We don't even want the name of the old Wagner act associated with your bill."

• **Dead Issue**—So it is practically certain that no new labor bill will pass Congress at this session. Indeed, there is only a slim chance for any new effort to rewrite Taft-Hartley until after the 1950 congressional elections.

The House of Representatives could go through another round of labor legislation before the current session ends—if Speaker Rayburn really wanted to bring up the issue again this summer.

But members of the House, now working uncomfortably in a committee room while the House chamber is being remodeled, have little stomach for another battle. And there are two big reasons why leaders see no point in forcing the issue. They are:

(1) Even if the House passed a bill acceptable to labor leaders, it wouldn't go through the Senate without major modification.

(2) Truman is pretty sure to veto anything that is near enough to T-H to get through the Senate.

• **All or Nothing**—Labor had staked its chances on defeating Taft's national-emergency injunction. Losing that, William Green and Philip Murray chucked the whole show.

That decision was made on political grounds. The unions reasoned that the

next election may wipe out the margin of defeat. They take some comfort in the fact that, whereas only 27 senators voted against Taft-Hartley in 1947, 44 voted against Taft this time. A repeat of last Nov. 2 would put pro-labor forces in control.

What of the other clauses of Taft's substitute, aside from the injunction provision? Could the unions have found among them some things they could support? Taft insists they could: "Whenever the unions have presented a reasonable criticism of the Taft-Hartley act," Taft says, "I have favored its prompt correction . . . if it did not change any fundamental principle of the law."

• **Basic Issue**—In a nutshell, this fact—that Taft refuses to change the philosophy of T-H—is what makes unions oppose every line and comma of his rewrite.

Sen. Thomas and labor leaders want a "labor relations act"; Taft wants a "labor-management act." What this means is that union-Administration forces want a law to regulate management; Taft wants one to regulate both management and labor.

• **Taft's Changes**—Here are some of the Taft changes that do soften T-H appreciably:

(1) In exempting foremen from NLRB recognition, the new Taft bill

classifies a man as a foreman only if he actually is management's straw boss. Just designating a man as a foreman isn't enough.

(2) A union would be responsible only for the acts of its authorized agents—not for the acts of any individual cardholder or of a wildcat group of rank-and-filers.

(3) The office of the independent counsel to the NLRB—Robert Denham's job—is eliminated; the legal side of NLRB would again operate under the same rules as other quasijudicial government agencies.

(4) Though the closed-shop ban is retained, preferential hiring halls are permitted.

(5) Union-shop elections are eliminated.

(6) One kind of secondary boycott is authorized—the kind that permits unions to refuse to handle "struck work."

(7) The provision that makes it mandatory for NLRB to seek temporary injunctions in unfair-labor-practice cases is changed to give the board injunctive power only if it wishes to use it.

(8) Joint control of welfare funds is not necessary if the employer doesn't want it.

(9) Checkoff of dues is permitted as long as the rank and file don't reject it; T-H required specific worker approval with each new contract.

(10) Unions are permitted to make political expenditures—buy advertising, put out political pamphlets, and so forth. (But union contributions to a candidate's campaign fund are still prohibited.)

(11) Workers on strike get back the right to vote in union-recognition elections; T-H had been interpreted to deny the vote to strikers whose jobs had been filled.

Some of the provisions are certainly attractive to unions that have lived for two years under much stricter regulation. But the issue in the Senate was drawn between presidential seizure power and presidential injunctive power to meet national emergencies. The other parts of Taft's bill were debated only briefly.

• **More Important**—The next labor debate will find these other questions back again. Many congressmen—including Democrats like Sen. Humphrey of Minnesota and Republicans like Sen. Ives of New York—are convinced that many everyday labor-relations matters are just as important as the issue of national-emergency injunctions.

Their reasoning: Every union has to live day by day under the rules about checkoff of dues and the rest; only three or four of the big unions in critical industries are affected at all by national-emergency regulation—and then only infrequently.

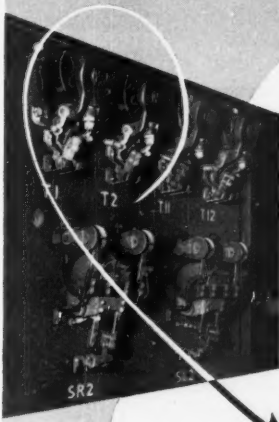
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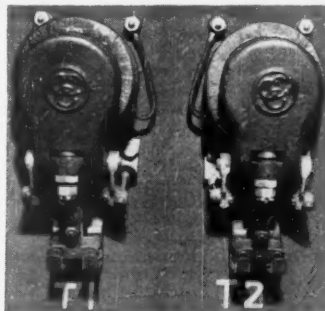
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FRIGIDAIRE
WATER COOLERS



LABOR-MANAGEMENT COMMITTEES, like this one at Dravo Corp., help get . . .

Production Cooperation

American Management Assn. and A.F.L. look separately at business conditions, advise: revive labor-management committee programs to help boost output—and pay, too, says union.

All employers want to cut production costs these days. And they got some advice on how to do it from two important sources this week. One was the American Management Assn.; the other, the American Federation of Labor.

Curiously enough, the independent studies came up with the same answer: Revive labor-management production committees.

● **Plant Level**—These are plant-level committees set up to discuss: (1) mechanical production problems and how they can be overcome; and (2) what can be done to boost the efficiency, morale, and welfare of plant employees. The committees have no bargaining role; they are advisory only.

The committee plan dates back to World War I. The Baltimore & Ohio R.R. has had a plan in effect since 1923; many other committees are 10 to 20 years old. But the idea's most rapid growth came during World War II—when the government encouraged it to assure all-out military production.

After the war, interest in the program lagged. Lack of any real incentive for cooperation—and often union-management economic friction—killed off many committees.

● **A New Job?**—Now, both A.M.A. and A.F.L. say, there's a new need for the labor-management production committees.

A.F.L. says it's due to the "present precarious business situation"—in which the profit margin of many employers "is being squeezed by price declines."

A.M.A. says employers should seriously consider the committee plan in their search for ways to hold down unit production costs, to compete profitably in a tight buyers' market.

● **A.F.L.'s Advice**—The A.F.L. proposal was directed to readers of Labor's Monthly Survey—A.F.L.'s official economic-policy bulletin. The May-June issue carried this advice: "A wage increase may depend on a plan for union cooperation to prevent waste, save expense, cut costs, improve production."

It suggested that "joint union-management discussion of production problems, and resulting measures for improvements, [can] contribute greatly to plant efficiency, output, morale, and workers' welfare."

As A.F.L. sees it, discussions would be carried on through a committee having equal numbers of union and management representatives—with a cochairman from each group. The committee would meet about once every two weeks, for discussions limited to matters "concerned with improving production." Grievances and negotiations would be treated by separate committees.

A.F.L. says the price of cooperation should be: "A fair distribution of the

gains between management and workers, determined in collective-bargaining negotiations."

• **A.M.A.'s Advice**—The A.M.A. proposal—is incorporated in a 200-page research report. Its title: "Greater Productivity Through Labor-Management Cooperation." It's an analysis of company and union experience with production-cooperation plans.

• **What It Found**—Some findings of the report:

(1) Labor-management cooperation seems to be more usual than is commonly believed.

(2) Cooperation is found most frequently in capital-goods, materials, and supplies sectors of industry. Powerful unions in these industries strengthen this tendency.

(3) Cooperation is most frequent in medium-sized firms—and has a greater chance of success in small and medium-sized plants than in big ones.

(4) Cooperative projects undertaken with a dominant C.I.O. union are twice as numerous as those with an A.F.L. union. Why? A.M.A. says it's because "C.I.O. seems to have carried practical efforts further by assigning a larger staff of men to production problems and by convincing a larger number of its members" of the need for cooperation.

(5) More than one-third of the cooperative projects are in companies with maintenance-of-membership agreements; about one-fourth are in companies with union-shop contracts. So, concludes A.M.A., "assurance of basic union security may be of some importance" in setting up a cooperation plan.

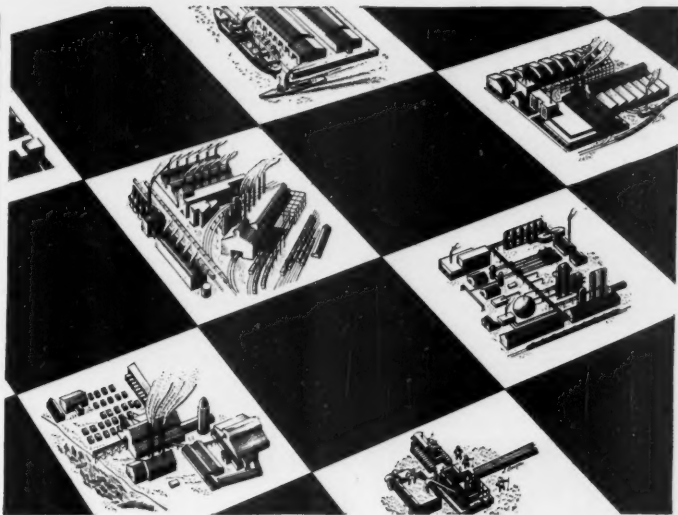
(6) Cooperation's ability to survive is greater than generally believed. A.M.A. says that about 35% of the plans checked have lasted from two to five years; 22% from five to ten years; 27% more than ten years.

• **Types of Plans**—A.M.A. researchers found four principal types of cooperative plans in common use. They are based on:

Informational cooperation—which limits labor and management to joint gathering of facts. Management likes it because it's "not likely to be risky" and often helps clarify "difficult situations." But many unions complain that "few managements agree to genuine reciprocal informational cooperation"—companies won't open up all their records in the production field.

Advisory cooperation—which allows either party to consult the other, at will, on mutual production problems. Management says this "is usually helpful in that it familiarizes [employers] with labor's views."

Constructive cooperation—which allows either party to make positive suggestions for improvements. Management says this can "yield many useful



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The Directors of Chrysler Corporation have declared a dividend of one dollar and twenty-five cents (\$1.25) per share on the outstanding common stock, payable September 14, 1949, to stockholders of record at the close of business August 15, 1949.

B. E. HUTCHINSON
Chairman, Finance Committee

BUSINESS OPPORTUNITIES

offered or wanted, personnel, financing, equipment, etc. may be found in Business Week's

CLUES

See page 102 of this issue

suggestions drawn from rank-and-file experience . . . and from the specialized or industrywide experience of union representatives." Unions favor it, says the A.M.A., when "union leaders and members think they may benefit adequately."

Joint determination—which gives labor an equal voice with management in meeting production problems. This often borders on collective bargaining on production problems. Management feels it can be undertaken only with "mature" unions—and then only after all the risks are carefully calculated. Many unions like the idea of joint responsibility—but actually hesitate to undertake it. They don't want to have to share the blame for a possible failure or to be marked as "collaborators" with management.

Unions Lose

Long strikes at Bendix and at Warner & Swasey end pretty much on company terms. It may be a sign of the times.

It's getting harder for a union to win a strike. Evidence this week: Workers voted to return to jobs at Warner & Swasey Co. and Bendix Aviation Corp., ending two of the nation's longest stoppages. And the unions had little to be happy about in either strike.

AT WARNER & SWASEY, Local 1253 of the International Assn. of Machinists (Ind.) struck six months ago in a dispute over new contract terms. The walkout ended when the Cleveland workers voted last week to accept terms offered by the company.

AT BENDIX, in South Bend, Ind., members of the United Auto Workers (C.I.O.) voted 2,831-to-110 to end a 10-week strike. They went back to work with the company's position unchanged on the strike's major issues.

• **Intervention**—The Bendix settlement came after Secretary of Air Symington intervened because of the effect of the stoppage on output of airplane engines.

Symington and federal mediators held top-level conferences in Washington with Walter Reuther, U.A.W. president, and M. E. Ferguson, Bendix president. The discussions were the first in which Reuther had had a direct role. Symington, in announcing the union-management agreement, said federal officials used "no coercion whatever" in getting the settlement.

• **Company Victory**—The big issues in the strike involved (1) management's right to set job standards, and (2) its right to require members to suspend production entirely during "downtime"

(BW—May 21'49,p110). (Downtime is nonproductive time when machines aren't supposed to be running—because one department is too far ahead of another, or for similar reasons. But workers on incentive pay often worked right through such periods.) The new agreement specifies that the company will have to pay only standby wages for downtime, and that the company retains the sole right to "determine and establish job standards."

• **Concessions**—Bendix, in return, agreed to let the union examine production standards after work gets back to normal. If there's any dispute about them, company and union will talk the situation over with federal officials.

The company also agreed to reinstate 43 of 47 workers fired on slowdown charges; the other four, strike leaders, will get their jobs back after 4-week penalty layoffs. U.A.W. said it would pay the men from union funds for their lost time.

Bendix also will withdraw a damage suit against U.A.W. three months after operations are resumed; and at the same time, the union will withdraw unfair labor practice charges against the company.

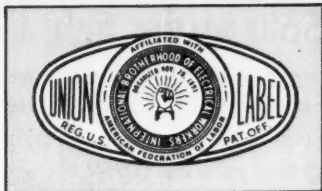
The big question still bothering Bendix and its production workers: How much lost auto-brake business will return to the South Bend plant?

• **Back-to-Work Movement**—The Warner & Swasey strike ended after a back-to-work movement began at the Cleveland plant (BW—Jul.2'49,p64). I.A.M. called the whole thing off when about 450 production workers were back on the job, and more were entering the plant every day. The company had offered face-saving terms several weeks earlier. The local voted 621-to-143 to accept them.

They provide that negotiations will get under way toward a new contract. Pending agreement on new terms, workers will get scaled increases in pay; these range from 17¢ an hour in lower brackets to no raise at all in top brackets.

• **Company Triumph**—A major issue in the strike was the company demand that a pay-increment plan won by the union during the war be dropped (BW—Mar.5'49,p98). The company offer accepted by I.A.M. eliminates the plan. And, furthermore, the agreement contains a provision, formerly opposed by the union, for installation of an incentive system.

The Pictures—Alice Cook—42, 44, 46; Int. News—72; Bob Iscar—82; Fenno Jacobs—101; Underwood & Underwood—23.



I.B.E.W. "BUG" involved in . . .

Charges of Misuse

There's a black market in I.B.E.W. labels, according to a statement by an ousted official who is suing the union.

The union label is getting back a lot of its prewar prestige. Now that union-minded buyers don't have to bother about shortages of consumer goods, they are looking once more for "bugs" that identify union-made products. Thus, many employers now look on the union label as a sales asset for their goods (BW—Jun. 12 '48, p103).

This week, charges that union leaders are "black marketing" labels to unauthorized firms were spread on Washington (D.C.) federal court records. Edward J. Brown, Milwaukee attorney and former president of the International Brotherhood of Electrical Workers, alleges that I.B.E.W. "bugs" are being sold for 25¢ to \$1 apiece.

• "Black Market"—Brown charged that union leaders in the Chicago district were "selling" labels to firms that can't meet strict I.B.E.W. requirements for legitimate use of the "bug". Most were manufacturers of juke boxes.

One of the defendants, I.B.E.W. secretary J. Scott Milne, calls Brown's bill of complaint "a tissue of falsehoods." He flatly denies that there's any "black market" in I.B.E.W.'s label with or without the connivance of international union officers. Milne calls the charge "a scurrilous allegation to cloud up the real issue."

• Side Issue—The "black market" charge is a side issue in a \$100,000 damage suit brought by Brown against international and district officers of the union.

Brown became president of I.B.E.W. in 1940. But he failed of re-election in 1946 and returned to Milwaukee to practice law. He also got a job as executive business manager of local 494—a position he lost shortly thereafter when he was brought up before the union on charges of "misconduct and neglect of duty." After a hearing, Brown was denied the right to hold any union office or to attend I.B.E.W. meetings. The I.B.E.W. executive

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endless variety to all corners of America.

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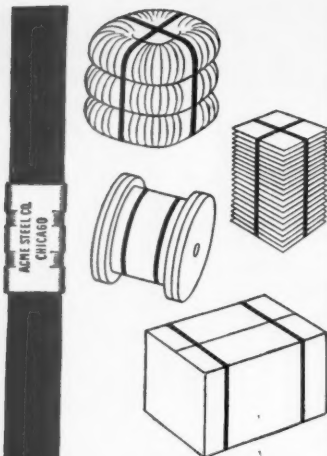
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council heard and sustained the charges against Brown, but refused to order full expulsion—thus allowing Brown to retain pension and insurance benefits.

• **Brown's Charges**—Now Brown charges that the union officials have "in effect barred complainant from employment in the electrical industry." Besides \$100,000 damages, he is asking restoration of full membership rights in I.B.E.W. His bill of complaint says the charges against him were "false and trumped up" by enemies in the union. He lost his union job and status, he claims, because he learned about a "black market" in union labels—and tried to stamp it out.

I.B.E.W. officials are puzzled by Brown's choice of attorneys. He has picked (1) Lee Pressman, who lost his job as C.I.O. general counsel because of his leftist views, and (2) the law firm that represented the Communist Gerhart Eisler.

Maritime Hiring Halls Lose Court Round

Union-operated hiring halls at Great Lakes ports are illegal under the Taft-Hartley law, the U. S. Court of Appeals ruled this week. The court upheld a National Labor Relations Board finding that the halls discriminate against non-union seamen. In effect, NLRB had said, they are a form of illegal closed-shop hiring.

The Circuit Court of Appeals took the case on an appeal by the National Maritime Union (C.I.O.) against an adverse lower-court decision. N.M.U. now plans to carry the issue to the U. S. Supreme Court, maintaining that closing halls would, in effect, "destroy" the union.

• **Status Quo**—Meanwhile: (1) NLRB has agreed to defer action against union-operated hiring halls until the high court acts. (2) Shipping employers have written hiring-hall clauses into all new contracts—with a provision that the clause will be reopened if hiring halls are finally barred by the courts. (3) There's a possibility that Congress will act to legalize the hiring hall and other forms of hiring through unions where it's the "custom and practice" in an industry (page 88).

Under the Great Lakes hiring-hall procedure—common in maritime, warehousing, and trucking industries—halls are operated by unions with union personnel. Job-seekers must register at the hall, and employers wanting to fill jobs must apply there. A dispatcher assigns men to jobs, usually by rotation. In theory, non-union men can be assigned to jobs, too—but since the union runs the hiring hall it seldom works out that way.

Split in the Left

University of Chicago
breaks relations with United
Public Workers—with blessing
of everyone but U.P.W.

University of Chicago negotiators sat down at the bargaining table this week with a new union. It was a C.I.O. industrial (unaffiliated) local made up of secessionists from the left-wing United Public Workers. In its ranks were 800 housekeeping, dietary, and animal-care-taking employees, including six who take care of radioactive animals used in biologic research with atomic materials.

• **Causes**—Behind the local's switch from U.P.W. were several factors: (1) the current C.I.O. fight against Communists in its unions; (2) dissatisfaction of union members with the left-wing tactics of union leaders; (3) university sensitivity about dealing with left-wingers; and (4) the Atomic Energy Commission order barring contractors on atomic energy jobs from doing business with pro-communist unions.

The University signed a contract with U.P.W. in 1945, and renewed it annually until Oct. 1, 1948. Then it broke off relations because, it said, U.P.W. officers hadn't signed non-communist affidavits.

• **Basis**—To support its position the university harked back to an AEC order that directed the school not to bargain with U.P.W. for Argonne National Laboratory workers engaged directly in atomic energy work. It wouldn't be right, reasoned the university to deal with U.P.W. as the representative of other employees who mingle with Argonne workers—and who include caretakers handling radioactive animals.

• **Case to Court**—U.P.W. couldn't take a refusal-to-bargain case to NLRB, since it's not qualified under the Taft-Hartley act. So it went to court and asked for an order that would force the university to bargain. U.P.W. said that since it had won a consent election in September, 1948, by 346 to 73, it was entitled to a contract. The union won the first round, then ran into trouble.

First the workers decided they had enough of U.P.W.'s leftist leanings. They asked C.I.O. to let them pull out and set up an industrial local. C.I.O. agreed. The court then agreed to an "advisory" election, in which the industrial local defeated U.P.W. by 328 to 55.

• **Recognition**—Last week, the court officially recognized the vote. It dismissed all orders supporting U.P.W.'s right to bargain with the university, gave its official nod to the new local.

LABOR BRIEFS

More strikes began in May than in any month since the spring of 1947, according to the BLS. It reports 250 new strikes, by 250,000 workers, with 3.2-million man-days lost.

Nonstrikers can't collect from a union through NLRB for wages lost when pickets kept them from jobs by "illegal restraint and coercion." Under T-H, NLRB can assess a union for lost wages, but only if union discrimination against nonunion men is involved. The board so ruled in a case involving C.I.O.'s furniture union at the Colonial Hardware Flooring Co., Hagerstown, Md.

Babcock & Wilcox employees in Barberton, Ohio, have signed a two-year contract without a pay hike. Their A.F.L. federal union decided a raise isn't warranted "at this time." There's a 1950 reopening clause.

State labor-control laws in Delaware and Missouri have been knocked out by Democratic legislatures. Unions attacked the Delaware law as "the most vicious in the country" because of its injunction clause. The Missouri law ran into strong union criticism for its bars against jurisdictional and sympathy walkouts, secondary boycotts, and strikes against the government.

A wildcat strike which violates a no-strike clause justifies an employer's refusal to bargain with a union. This was NLRB's ruling last week in a case involving C.I.O.'s textile union and the United Elastic Corp. at Lowell, Mass.

The Dryden Rubber Co. strike in Chicago ended last week, after 43 days, on company terms. C.I.O. rubber workers agreed to go back to work without a wage increase, and with "super-seniority" going to employees who stayed on the job and to replacements.

C.I.O. auto workers have taken over bargaining rights at Allis-Chalmers' plant in Pittsburgh. Workers there bolted the left-wing C.I.O. electrical workers—which wasn't eligible under T-H to get its name on NLRB ballots.

Mack Truck and C.I.O. auto workers agreed this week to hold off on wage talks until Sept. 16, skipping a July 19 reopening. Company wanted to roll pay back about 11¢ an hour (BW—May 14'49, p24). Union wanted a 15¢ raise, and threatened strike action to get it. Agreement keeps current rates until contract runs out on Oct. 14.

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Sure, we enjoy emergency business, but we would rather have it all the time.

Will you love us in December as you did in May?

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A strike of A.F.L. teamsters tied up practically all trucking in New Hampshire for more than two months. The Boston & Maine R.R. took on the state's transportation job. It added equipment, increased the number of men in freight-handling crews, and did a bang-up job.

When the strike ended, truckers

found the B.&M. very much in the running for what had once been their business. The railroad's ads—asking shippers "Will you love us in December as you did in May?"—were just the first move of a campaign to keep this business.

The B.&M. doesn't mention the strike specifically in its ad. But it hints at it. It says: "We don't want to benefit by somebody else's troubles, but we do want to remind you of the fact that for over two months the railroad did just about the whole transportation job for the state of New Hampshire. Sure, we enjoy emergency business, but we would rather have it all the time."

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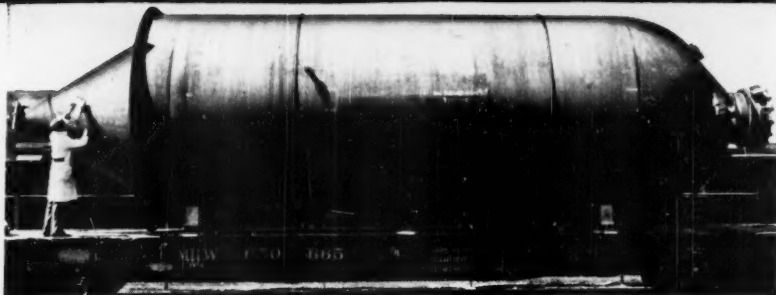


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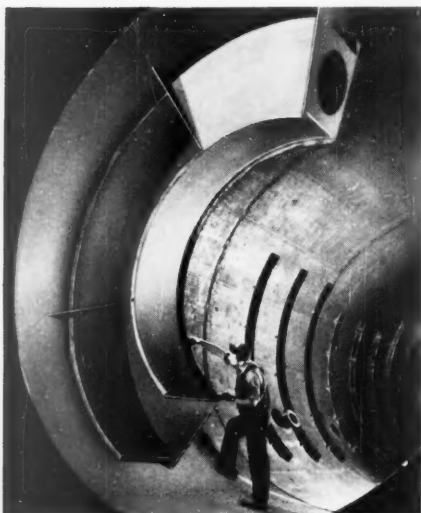
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INTERNATIONAL OUTLOOK

BUSINESS WEEK

JULY 9, 1949



Chancellor Cripps' plan to solve Britain's dollar crisis by cutting imports from dollar areas is no more than a stop-gap (page 101).

He can cut British buying in dollar markets for just so long. Then lack of raw materials will slow down British industry. That's sure to raise costs, make selling in dollar markets harder than ever.

There's a chance, of course, that Cripps could gain something from temporary import-cutting. It might bring down raw material prices in the Western Hemisphere.

Meanwhile, the Chancellor hopes, American buying of sterling-area products may rise again. (The British figure that May and June buying of stuff like rubber and jute in the U. S. was way below normal.)

Cripps is counting on the Commonwealth to help him out, too.

Canada will be pressed to buy more from Britain and the sterling area, even if it means that Ottawa has to drop import bars.

Australia already has announced big cuts in dollar purchases. Other sterling area Dominions are sure to follow suit.

South Africa will be asked to pay for British goods with part of its gold output. This would boost the sterling-area dollar pool.

But you can discount talk that Britain will retire into a water-tight sterling bloc.

Sterling-area supplies are being fully exploited now and they can't be expanded in a hurry.

Cripps knows as well as the next man that cutting essential imports won't get him very far. But he probably doesn't know where to turn next.

The one thing he won't consider right now is devaluation. He's convinced that the prospect of stepping up British sales to the U. S. this way doesn't warrant the risks.

And there's a political as well as an economic angle to his firm stand.

Devaluation might topple the Attlee government, force Labor to choose between a coalition government or going out of office.

In his speech to Parliament Wednesday, Cripps hinted that the whole relationship of the dollar and sterling worlds must be re-examined. That question is something he is talking to U. S. Treasury Secretary Snyder about this week.

What Cripps must have in mind is a new move by the U. S. to bolster the British position.

But if this is the case, Cripps seems due for a shock.

Business Week learns from Paris that Secretary Snyder is now betting that ebbing British gold reserves will force devaluation before long. It will just come naturally.

The fact is the U. S. won't fork up additional dollars for freer trade in western Europe.

At least that's what Snyder is saying in Paris now.

Snyder is trying to spike talk that the U. S. should:

- (1) Raise the dollar price of gold;
- (2) Make gold stabilization loans to bolster Europe's currencies;

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

JULY 9, 1949

(3) Promise large-scale private investments in western Europe and its dependencies;

(4) Sharply increase buying of raw materials from western European sources for U. S. stockpiles.

These ideas have been brewing in western European capitals lately. The experts there think the U. S. will have to take some such positive action to speed the return of freer trade and convertible currencies.

What Snyder sees on his current jaunt will, of course, influence long-range U. S. policy.

You might even see some concrete results by September, after the Washington meeting of the International Monetary Fund.

Meanwhile, Snyder will push the U. S. crusade for multilateral trade.

The trouble is that Europeans, looking at the current recession in the U. S., are plenty skeptical. Talk in Congress about cutting ECA funds and giving more protection to U. S. industry worries them.

They wonder whether the U. S. is really willing to buy enough, invest enough, or lend enough to make multilateral trade work.

Russia may show its true colors in China by late summer or early fall.

Moscow should be ready to throw off the sham of neutrality then and recognize a "Chinese People's Republic." The announcement may be followed up with a giant Soviet aid-for-China plan.

In a speech last week Communist leader Mao Tse-tung made no bones about the fact that he expects great things from the Kremlin soon. At the same time he wrote off the West as a "genuine" ally.

Stalin is sure to pick a dramatic moment to unfurl his Chinese plans.

Perhaps it will be the 19th Congress of the Communist Party of the U. S. S. R. In the past these get-togethers have been the occasion of important policy announcements.

Here is some of the help Mao may get from the Soviets and their friends:

(1) A non-interest-bearing loan from Russia—perhaps amounting to several billion rubles—for the "socialist reconstruction" of China. (The loan might run 50 years.)

(2) A series of "mutual assistance" pacts with eastern European countries. (Each satellite may have to earmark a certain percentage of its industrial production for China. Each may have to deliver a corps of technicians for work there.)

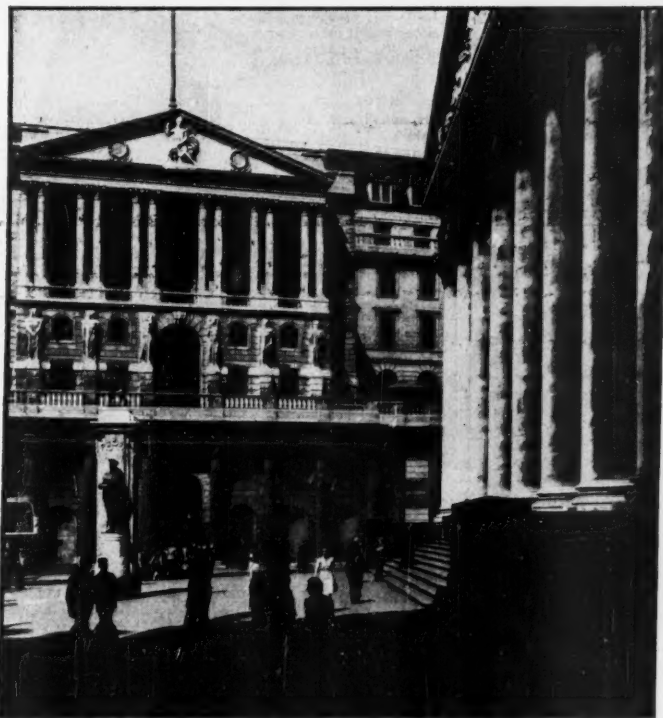
(3) A flurry of fund-raising campaigns in capitalist countries to help "democratic" China. (The money might pay the salaries of such western engineers and educators as could be lured overseas.)

Don't expect the U. S. or Britain to recognize a Communist government in China for the time being.

The U. S. State Dept. is trying to work out a containment policy to check the spread of communism in the Far East. The idea is to forge a chain of strong anti-Communist states from Formosa to India. If any parts of China itself can be used, so much the better.

The first payoff from the new policy may come in Indonesia. The tentative agreement between the Dutch and the Indonesians has come only after steady U. S. pressure.

BUSINESS ABROAD



THE BANK OF ENGLAND's gold reserves drain away as U.K. exports drop; it's a . . .

New Dollar Crisis for Britain

Cripps tries to stall off devaluation, pins hopes to a temporary cutback in buying to force down import prices—in effect, a bear raid on world markets.

Britain is due to go through an economic wringer in the next few months. That's the only interpretation to put on Chancellor Cripps' statement to Parliament this week on the British dollar crisis (page 99).

• **Choice**—For Cripps, the problem is no longer how to avoid the squeeze, but how to apply it. He can choose between two policies:

CUT DOLLAR IMPORTS of food and raw materials drastically, within the present framework of tight trade and currency controls. These cuts would mean more austerity for British consumers and, almost certainly, some unemployment in industry.

DEVALUE THE POUND and loosen up controls. For this method to work, Cripps would have to make British

consumers absorb the resulting higher import costs, thus accepting a lower standard of living.

• **An In and Out Game**—Apparently, Cripps intends to slash imports. It is estimated that scrapping of dollar "luxuries," such as tobacco and gasoline, would save only \$50-million a quarter. Major cuts, therefore, must fall on food and raw materials from the Western Hemisphere, largely outside the U.S.

British stocks of food and raw materials are not big enough to allow cuts for more than a few months without lower food rations and serious unemployment. The plan seems to be for Britain to pull out of the dollar markets just long enough to bring a sharp drop in prices—then to resume buying before stocks run out.

Cripps knows that this is a desperate gamble but he seems bound to try it. And he hopes to get support from the Commonwealth finance ministers who are coming to London this month to talk to him. With the whole Commonwealth cutting its buying, the effect on prices would be even sharper.

• **No Out**—As London sees the problem, devaluation won't work unless the U.S. is prepared to bolster Britain's gold reserve. But after Cripps has taken a crack at the first method, he may be forced to try the second, whether the U.S. helps or not.

There's no simple way out for the British people. The controlled British economy has been caught ill-prepared for the shift of the past six months from a world buyers' market to a world sellers' market.

• **Background**—The basic facts of the British crisis are simple. Through the first quarter of 1949, things went pretty much according to plan. London's dollar deficit (the gap between dollar earnings and dollar payments for the whole sterling area) was about \$330-million, or roughly \$1.3-billion a year. This was an amount that could be covered by ECA funds.

But in the second quarter, the dollar deficit almost doubled. On an annual basis it was roughly \$2.6-billion a year.

Result: The Bank of England's gold reserves dropped from \$1.9-billion to about \$1.6-billion, or \$400-million less than the \$2-billion figure Cripps has always regarded as rock-bottom.

• **Black Prospect**—The summer quarter looks even blacker—for two reasons: (1) Almost all British industries report slackening orders for their goods. This rules out any possibility of expanding dollar exports, for several months at least. (2) ECA funds will be cut this quarter by about 25%, to roughly \$235-million.

Staring Cripps in the face is the prospect of a gold reserve in September as low as \$1.2-billion, and dropping at the rate of \$400-million a quarter. Unless the Chancellor can change that prospect within a matter of weeks, he's sure to lose whatever confidence the world has in sterling.

• **What Happened?**—What's happened is that British dollar earnings have gone down while British dollar payments have gone up.

The recession in the U.S. has cut American buying of goods from the United Kingdom and from the rest of the sterling area. U.K. exports to the U.S. in the last quarter of 1948 averaged \$25.6-billion a month. By May they had dropped to about \$14.2-billion.

Sterling area sales as a whole held up through April. But the drop in commodity prices here began to take its toll in May and June, when earnings

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Britain's Bulk Buying Record in 1948

	Quantity in Tons	Value (f.o.b.) Millions of Dollars
Raw Materials Bought by British Board of Trade		
Timber	4,884,120	\$294
Textile raw materials (excl. cotton)	372,172	172
Hides, skins, tanning materials	195,447	89
Paper, paperboard materials	1,408,933	165
Chemicals, fertilizers	2,706,681	78
Miscellaneous		8
Total		806
Raw Cotton Commission Purchases (estimated)		
Raw Cotton		430
Metals Bought by Ministry of Supply		
Copper	312,500	150
Lead	170,000	60
Zinc	158,342	42
Steel	374,639	41
Aluminum	140,740	41
Others		24
Total		358
Commodities Bought by Ministry of Food		
Meat, fish	1,167,700	437
Grains, feed	8,571,400	778
Milk, eggs, oils, fats	2,243,500	897
Fruits, vegetables	1,304,900	179
Sugar, glucose	1,908,500	196
Tea, coffee, cocoa	352,700	319
Total		2,806
Miscellaneous bulk purchases		11
Grand Total		\$4,411

from colonial products, especially Malayan rubber, fell heavily.

• **Devaluation Talk**—Talk of pound devaluation has hastened the drop in U.S. buying. Some American importers have held off purchases in the hope of getting British goods a lot cheaper after the pound slips. To make matters worse, some British exporters have been finagling their books to hold the dollars they do earn in the U.S., with the idea of getting more sterling for their dollars after devaluation.

• **Dollar Drain**—Meanwhile, the British have had to increase their payments of gold or dollars in settling trade debts with Belgium and Switzerland. During the first quarter of 1949, London paid Brussels and Berne about \$35-million in hard cash. In June alone the figure was \$33.5-million.

There's been an added drain in Iran where an oil agreement provides that Teheran has special drawing rights on the dollar pool. Even in the Dominions, the demand for dollars seems to have gone beyond the Bank of England's expectations.

• **Price Differentials**—Finally, the cost of Britain's imports has not dropped along with the fall in world commodity prices. This seems to be true of dollar imports as well as non-dollar purchases.

The catch here is Britain's bulk-buy-

ing system. Government departments in 1948 bought \$4.4-billion worth of goods abroad (table), or better than half of the country's total imports.

While world prices were rising after World War II, this system of long-term contracts cut Britain's import bill. But today it is having the opposite effect. It is keeping up the production costs of British industries.

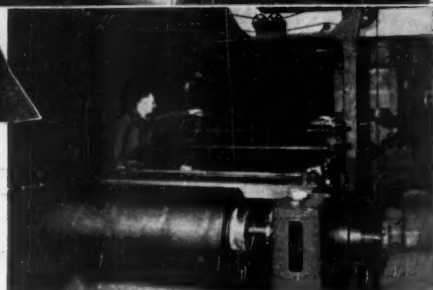
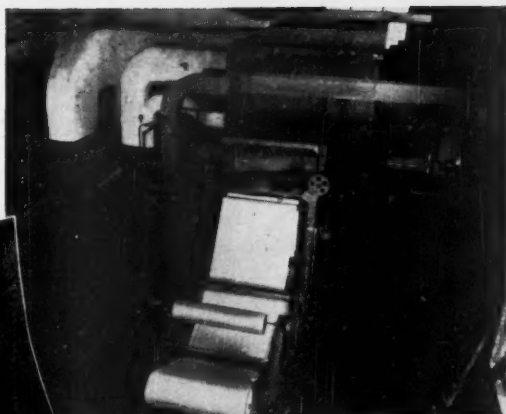
• **Psychology**—There's another effect. The high prices that Britain is paying for imports from non-dollar areas tends to keep British exporters from hacking down their high prices. It keeps the general price level up in the non-dollar world, and that makes it perilously easy to sell there instead of in dollar markets.

The British system of bilateral payments agreements merely solidifies this system. British imports are paid for in sterling that can be spent only in the sterling area; this creates a barrier between the sterling area and the dollar area. As the London Times said last week, "This system to a considerable extent absolves British exporters from making their prices competitive, since they are protected by the existence of what amount to coupons which can be spent only at their own counter."

• **Washington Line**—As Washington sees the problem, the one thing that would break up this system, which obvi-



Gas-fired fabric latexing unit from entering end. Cord fabric passes through the dryer after impregnation with rubber or rubber-like material.



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Production Drying Operation at INLAND RUBBER CORPORATION *Demonstrates Speed of GAS*

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- Drying efficiency improved by automatic temperature control
- Reduction in maintenance costs with simplified equipment
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ously is not working, would be devaluation of the pound. If the pound were cut by 20% (the maximum allowed under the International Monetary Fund), U.K. and sterling-area products would be made enough more attractive in the U.S. market to raise Britain's dollar earnings.

But to this line of attack the British to date have had two main objections:

(1) Devaluation would increase the cost of imports. Then the government could not resist demands for wage in-

creases. So a wage-price spiral would start all over again, and, within a year, British prices, in terms of dollars, would be back at the same level.

(2) World traders might feel confidence in the pound for a while after devaluation; but unless sterling can be made convertible into dollars, they would soon quit buying in expectation of further devaluation. And to make the pound convertible at this stage of the game, London figures, would take almost unlimited gold reserves.



NEW OIL STRIKE in Italy lured government bigwigs. It starts an . . .

Oil Boom in the Po River Valley

ROME—It was six months ago that an Italian company first struck oil in the rich Po Valley. But it has only been in the last few weeks that the usually excitable Italians got excited about it.

What started the commotion was a statement from the directors of the state-controlled Azienda Generale Italiana Petroli (A.G.I.P.), which found the oil. The directors claimed that a chain of oil fields around the Lombardy town of Cortemaggiore could "lead to a complete transformation of the Italian economy."

That sent the stock of A.G.I.P.'s companies soaring on the Rome exchange. The Italian Ministry of Industry later reduced A.G.I.P.'s claims to more modest terms: Perhaps the fields would yield 100,000 tons of oil and 1-billion cu. meters of natural gas a year. But it didn't stop the boom.

Despite the fact that nobody knows yet what the Po fields are worth, there has been torrid debate over who should be allowed to exploit them. A.G.I.P., together with some government officials,

most trade unions, and the Communists, have sent up a hue and cry for nationalization. Italian businessmen, backed by the Ministry of Industry, have been trying to arouse the public in favor of free enterprise.

The businessmen seem to have won the first round. A campaign of belittling A.G.I.P.'s claims was started in the conservative press. As a result, the Italian public has lost some of its interest in Cortemaggiore. And a bill is about to come up in parliament that will ensure private prospectors—foreign as well as Italian—a fair chance at whatever the Po Valley is hiding.

The big U.S. interest in the Italian oil picture is Societa Petrolifera Italiana, a subsidiary of Standard Oil Co. (New Jersey). Ever since Mussolini rose to power, this company has been completely overshadowed by A.G.I.P. Il Duce had no use for companies with foreign ties. But now the U.S. subsidiary is said to be ready to sink \$4-million into Po oil developments. Other U.S. firms have expressed interest, too.

Sinclair Digs Desert Oil For Ancient Ethiopia

GUMBORA HILLS, Ethiopia—This isolated spot in the middle of a desert, 300 mi. southeast of Addis Ababa, is the biggest news center in Ethiopia.

• **A Big First**—In the next couple of months, 35 Americans armed with \$2-million worth of equipment hope to bring in Ethiopia's first oil well. Sinclair Oil Corp. is doing the job. It will be the start of a drive to give primitive Ethiopia a 20th-century economy.

For two years after the war, Sinclair geologists scoured Ethiopia for the right spot to start drilling. Their studies led them to pitch a camp at this spot—just a stone's throw from Wal Wal, where the first shots of the Italo-Abyssinian war were fired. When the camp was set up (October, 1948), the area was still under British military administration.

At first Sinclair's men were less than welcome. Somali tribesmen went on the warpath and tore up much of the drilling equipment. Some say the British were the object of the Somalis' wrath. In any case, when the British withdrew shortly after, Sinclair's camp was left to the relative peace of roaring lions and barking jackals.

• **Imperial Send Off**—Drilling actually began in May, 1949. Emperor Haile Selassie and many of his court flew down for the occasion. The Emperor himself switched on the diesel-powered drilling motors that provide 825 hp. to drive the bit into the rock Sinclair is sure covers a fortune in oil. Sinclair figures it will be a deep well, perhaps as deep as 5,000 ft.

BRITISH AUTO SALES LURE

Rootes, Ltd., one of Britain's biggest car makers, has some new ideas on how to bolster lagging sales in the U.S. market.

Rootes announced last week that prospective buyers can rent Rootes cars (the Hillman and the Hillman Minx, among others) for a few weeks and then apply the rental fee to the purchase price if they are satisfied.

Rootes cars can be rented for \$35 a week plus 10¢ a mile after a set mileage has been covered. The renter will be reimbursed for gas and oil used.

For European travelers, Rootes has some more bait. A traveler to the Continent can buy a car in the U.S., pick it up in England; Rootes will ship it home for him free when the trip is over.

Sir William Rootes, company chairman, announced from London last week that he was in the American market "on a long-term basis." A Rootes shipment is en route to the U.S. now to invade the Chicago and San Francisco markets.

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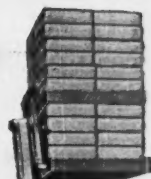
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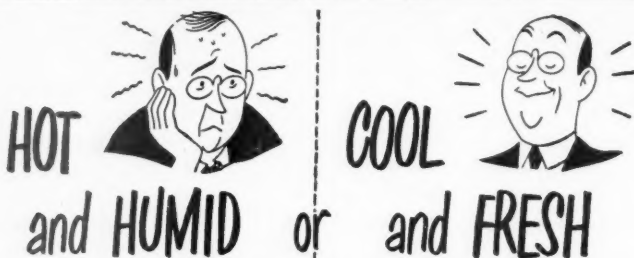
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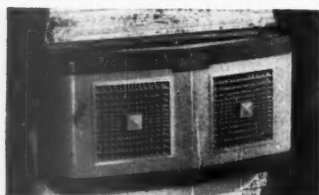
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One Small Step

Free trade for western Europe gets a slight boost. OEEC makes 25% of conditional-aid grants transferable.

PARIS—Last week, representatives from the 19 nations that make up OEEC took a cautious first step toward freeing western Europe's trade.

● **Right Direction**—It hardly looked sensational. It involves only about 2% of the trade generated by the Marshall Plan. But considering the maze of obstacles that stand in the way of freer trade, it is a move in the right direction at least.

What OEEC did was to reform the intra-European payments scheme. Under this scheme, part of the dollar allocations to those Marshall Plan nations which have trade surpluses with other Marshall Plan nations—mainly Britain, Belgium, and Sweden—are made conditional. The condition is that the creditor nations must advance grants to their debtors in an amount equal to their anticipated trade surplus for a given year. (In the year ended July 1, 1949, this conditional aid amounted to \$818-million).

● **The Old Scheme**—The old payments scheme had a catch. Grants were made by creditors to debtors on a strictly bilateral basis. British grants to France, for instance, could be spent only for British (or sterling-area) goods, even if the same goods could be bought cheaper elsewhere in western Europe. As a result, some of the grants were never used. Italy, for one, piled up a considerable sterling surplus that it couldn't use.

● **The New Scheme**—Under the new system some of these grants will be made transferable, 25% of each. If Britain, say, grants France £50-million, France may use up to £12.5-million to buy in any Marshall Plan country where it can get what it wants at the cheapest price.

Ideally, of course, it would be best to have all the conditional-aid grants transferable—even into dollars. That way debtor countries could use their grants in the cheapest market—in western Europe or in the U.S. It would be a real boost to freer trade.

● **Britain's View**—But 25% transferability within western Europe is the biggest concession to competitive trading that the British think they can afford now. Anything more, they are afraid, will cost them dollars. They have two strong arguing points:

(1) If debtor countries could demand conditional-aid grants in dollars, every debtor country would most certainly

do just that. In effect, this would cut Britain's dollar allocation by the amount of sterling it granted France under the payments scheme. (In fiscal 1949-50, that would mean Britain would lose at least \$200-million.)

(2) If all conditional-aid grants were made transferable just within western Europe, Britain would stand to lose dollars to Belgium. Debtor nations might find Belgium the cheapest market. By spending their sterling grants in Belgium, they would increase Britain's trade deficit with that country. And under an Anglo-Belgian trade pact, when Britain's trade deficit with Belgium reaches a certain point, the Bank of England must reduce the debt by paying off in gold.

• **Still Costly**—Even under the new system, Britain can lose dollars. If France, say, uses all its transferability rights, the British will lose 25% of the ECA dollars backing Britain's conditional-aid grant to France (probably about \$50-million).

But the British got a concession from the Belgians to offset this. In effect Belgium insured Britain against loss of gold under the Anglo-Belgian trade pact. Belgium will make loans to Britain, if and when Britain's trade deficit with Belgium reaches the critical point. ECA will finance part of these loans by increasing Belgium's dollar allocations.

BUSINESS ABROAD BRIEFS

Westinghouse has a \$900,000 contract to supply four 5,000-kw. generators and four 7,100-hp. turbines to Pakistan. They will triple the capacity of the Malakand power station on the Indus River, near the Afghan border.

Denmark is pleading for (1) a lower U. S. tariff on butter; (2) a bigger quota for Danish butter. Protectionist Washington has turned a cold shoulder.

General Motors has a contract to supply the state of Western Australia with three 1,000-kw. diesel-electric generators.

Sweden's pulp sales in the U. S. for the first quarter of 1949 totaled \$6.8-million; first-quarter 1948 sales, \$16.4-million.

Kiwi Polish Co.'s manager, Tom Ramsay, of Melbourne, Australia, is en route to Philadelphia to see how his U. S. branch is coming on. Kiwi has done business here for just 15 months, and Ramsay claims it's the No. 1 selling shoe polish on the West Coast; No. 4 on the East Coast.

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Reselling Competition to Western Europe

Page after page of economic history is filled with stirring accounts of aggressive trading by western Europeans. Their enterprise and daring extended the known boundaries of the world. They opened up Asia, Africa, and Australia as trading areas. They discovered America and exploited it commercially. They hoisted flags over one new colonial territory after another. And always trade followed the flag.

That is why it has been so disheartening to see the pulse of trade beat slower in Britain and on the European continent. World War II did the damage; it hardened the arteries and weakened the heart muscles of European commerce. Overseas buying was restricted to conserve dwindling supplies of foreign exchange, especially dollars. Even trade among the European nations themselves was inhibited by war-born trade barriers. Exchange controls were established. Import quotas were set up. Bilateral trade agreements swept across Europe faster than Paris fashions.

This unhealthy climate of economic restrictions was matched only by a perilous political situation. The threat of communism to western Europe and the whole western world was sharply apparent to the U.S. That is why the Marshall Plan for European recovery was launched last year.

Strict economic controls in western European countries seemed desirable then to protect them financially and commercially while production was being restored. But times have changed. The Marshall Plan countries are in much better shape internally; they should think about acting more normal again.

It is not enough to get production restored. What is needed is the reestablishment of a multilateral trading

system. Currencies should be freely convertible, one into the other. Trade should be on a competitive basis. The drive for self-sufficiency should be replaced by a series of moves toward integration of the separate national economies.

ECA officials began a campaign several months ago to reorient European thinking and practices. They urged the western European powers to drop their austerity programs, rejigger exchange rates, and reopen their markets to each other and to the U.S.

Some good has finally come of all this. At least a start has been made in the right direction of freer trade. The intra-European system of payments for balancing trade was revised last week (page 106).

But much remains to be done. Trade barriers must be battered down to get Europe's trade moving more freely. Currency exchange rates should be realigned. More trade with the U.S. should be developed under a policy of nondiscrimination—Europe should not discriminate against U.S. goods any more than we would try to keep European goods out of this market.

Of course, part of this problem still lies on this side of the Atlantic. Will we buy more from Europe? Will we spend more in Europe and European territories for travel? Will the U.S. increase its investments in, or loans to, these countries or their territories? Unless the answer to some of those questions is yes, the European economic problem may never be satisfactorily solved.

Nevertheless, the European nations must meet the challenge. If something is ventured, something will be gained. And Europeans who remember their illustrious history should welcome a chance to become the world's most intrepid traders again.

Industry's Responsibility for Unclean Waters

Mining and industrial operations get chief blame for stream pollution. Municipal sewage is the only other main offender, aside from natural pollution.

In the old days, factory wastes were low in volume and simple in chemical content. The waterways used to purify themselves as running water carried off the relatively small amounts of domestic and industrial waste deposits. But the streams have become more and more contaminated as the population has grown and industry has developed.

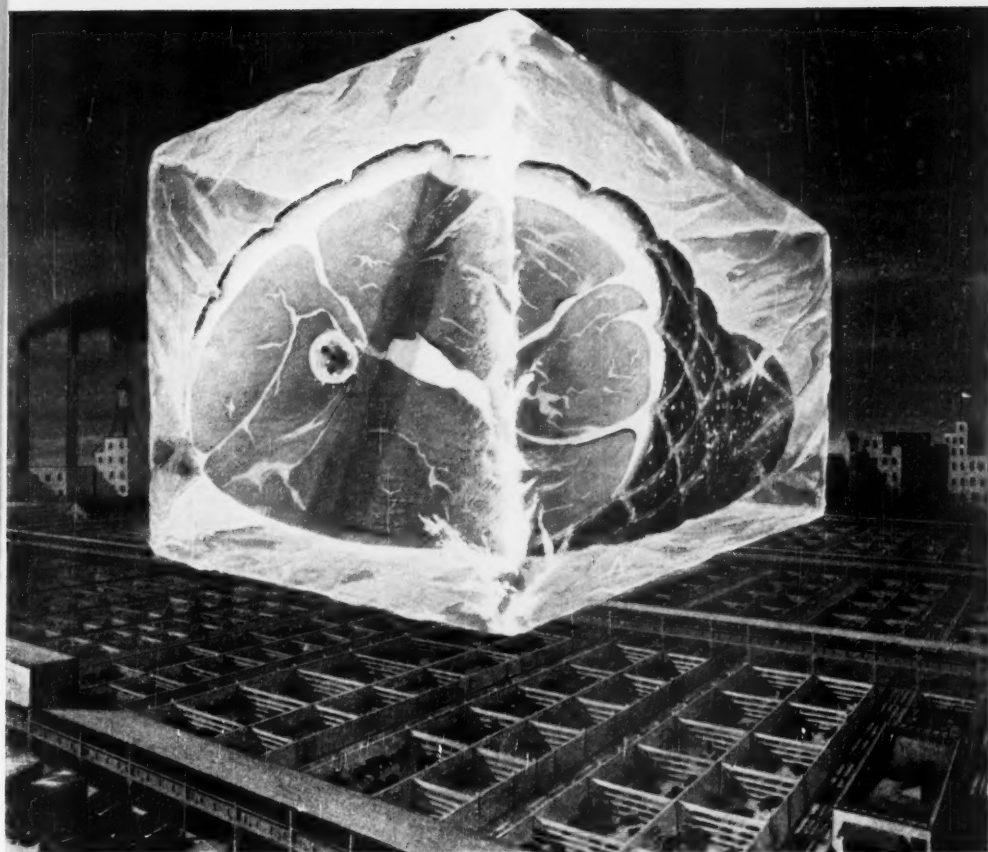
Public-health authorities have been warning for years that polluted waters are a menace. They beat the drums for antipollution legislation for years. Last year they got what they wanted: a federal water-pollution act. It authorized the Public Health Service to issue cleanup orders, to provide money for building sewage-disposal works.

Some companies and some industries didn't wait for

a law to compel them to act. Schenley has built 16 waste-treatment plants in 16 years (BW-May 7'49,p31). Ford is finishing a \$1.5-million program at its River Rouge plant and is considering further work at other plants; General Motors has already spent \$2.1-million to fight stream pollution. What those companies and others have done should inspire all the rest to get busy.

Excessive cost is the main reason that many companies give for neglecting to build plants to neutralize wastes. This may be a valid reason in some cases; some kind of tax relief may be necessary to permit such industrial enterprises to spend enough money to do a satisfactory job of setting up treatment plants.

But industries faced with the problem should also ponder the statement of L. A. Danse, supervisor of materials and processes for General Motors: "Industry simply cannot afford to pollute streams and thus alienate the goodwill of those who are expected to buy its products."



ARMOUR AND COMPANY, big name in foods, has met and solved many serious lubrication problems. Lubricants to meet these very exacting requirements have been developed by Shell engineers.

Cold facts - and friction

At Armour, big "ice boxes" can hold—at one time—enough meat to feed an average family for 461 years . . .

On such a scale, refrigeration is no cinch. One specific problem is the behavior of oils when alternately heated by the friction of moving parts . . . then chilled by intense cold.

Shell engineers, working with Armour's engineering department, were given a set of exacting requirements for the performance of compressor oils, and asked to develop lubricants to meet them.

Previous Shell research on similar problems gave clues to the answer. A Shell Industrial Lubricant was already available to meet these unusual conditions. After severe tests, it was put to work in the compressors.

Result: The problem was solved. The long-term performance record of this Shell Industrial Lubricant has more than justified its selection for use in Armour's compressors.

Advances in industrial techniques are closely related to planned lubrication. Shell's complete and progressive lubrication plan includes: study and analysis of plant and machines; engineering counsel; advice on applying lubricants; schedules and controls for each machine; periodic reports on progress.

Planned lubrication can increase the efficiency of your plant. Call in the Shell Lubrication Engineer.

**LEADERS IN INDUSTRY RELY ON
SHELL INDUSTRIAL LUBRICANTS**



Portable waterworks "Scotch" WITH THE DOLLARS!

...Another example of what GEON polyvinyl materials can do

WHEN an orchard grows on a slope, or if the ground is gravelly, irrigation is tough, and costly too.

The irrigation hose you see here cuts costs dramatically because it's made of Geon resin, the polyvinyl material with so many advantages.

For example, the mirror-like interior finish of this hose cuts friction loss of the water flow. This permits using much less footage of costly, under-

ground steel supply pipe. Six to eight sprinklers can be used per line—compared to three or four with ordinary hose.

Those are just a few of the advantages of this Geon-made irrigation hose. It is one-third to one-half lighter in weight than ordinary hose of comparable size. No kinks ever. Sunlight will not break it down. Its brilliant color makes it easy to see.

This hose gets its remarkable quali-

ties from Geon—the versatile material that makes wear-resistant upholstery, tough wire insulation, durable and beautiful flooring and, of course, garden hose.

These uses may start you thinking how Geon can improve your product—or perfect a new one. Geon materials can be extruded, calendered into film or used as a coating. Products of Geon can be made resistant to heat, cold, water, oil, aging and other damaging factors. Brilliant or delicate colors are easy to get.

We make no finished products from Geon polyvinyl materials. But we're ready to help you with your applications. For information or technical service, please write Dept. A-7, B. F. Goodrich Chemical Company, Rose Building, Cleveland 15, Ohio. In Canada: Kitchener, Ontario.



Resinlite Super-Hose made by Geon Industries, Santa Barbara, California, as used at the T. C. Abbott Canyon Ranch, Carpinteria, California.

B. F. Goodrich Chemical Company

GEON polyvinyl materials • HYCAR American rubber • GOOD-RITE chemicals and plasticizers



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